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*Bureau for International Narcotics and Law
Enforcement Affairs*

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Volume II

**Money Laundering and
Financial Crimes**

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Common Abbreviations

AML	Anti-Money Laundering
APG	Asia/Pacific Group on Money Laundering
ARS	Alternative Remittance System
BCS	Bulk Cash Smuggling
CFATF	Caribbean Financial Action Task Force
CFT	Counter-terrorist Financing
CTR	Currency Transaction Report
DEA	Drug Enforcement Administration
DHS	Department of Homeland Security
DNFBP	Designated Non-Financial Businesses and Professions
DOJ	Department of Justice
DOS	Department of State
EAG	Eurasian Group to Combat Money Laundering and Terrorist Financing
EC	European Commission
ECOWAS	Economic Community of West African States
EO	Executive Order
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EU	European Union
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FI	Financial Institution
FinCEN	Financial Crimes Enforcement Network
FIU	Financial Intelligence Unit
FTZ	Free Trade Zone
FSRB	FATF-Style Regional Body
GABAC	Action Group against Money Laundering in Central Africa
GAFISUD	Financial Action Task Force on Money Laundering in South America

GIABA	Inter-Governmental Action Group against Money Laundering
IBC	International Business Company
ICE	U.S. Immigration and Customs Enforcement
ICRG	International Cooperation Review Group
IMF	International Monetary Fund
INCSR	International Narcotics Control Strategy Report
INL	Bureau for International Narcotics and Law Enforcement Affairs
IRS	Internal Revenue Service
IRS-CID	Internal Revenue Service Criminal Investigative Division
MENAFATF	Middle East and North Africa Financial Action Task Force
MER	Mutual Evaluation Report
MLAT	Mutual Legal Assistance Treaty
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
MOU	Memorandum of Understanding
NGO	Non-Governmental Organization
NPO	Non-Profit Organization
OAS	Organization of American States
OAS/CICAD	OAS Inter-American Drug Abuse Control Commission
OFAC	Office of Foreign Assets Control
OFC	Offshore Financial Center
OPDAT	Office of Overseas Prosecutorial Development, Assistance and Training
OTA	Office of Technical Assistance
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TBML	Trade-Based Money Laundering
TTU	Trade Transparency Unit
UNCAC	United Nations Convention against Corruption
UN Drug Convention	1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances

UNGPML	United Nations Global Programme against Money Laundering
UNODC	United Nations Office for Drug Control and Crime Prevention
UNSCR	United Nations Security Council Resolution
UNTOC	United Nations Convention against Transnational Organized Crime
USAID	Agency for International Development
USG	United States Government

MONEY LAUNDERING AND FINANCIAL CRIMES

Legislative Basis for the INCSR

The Money Laundering and Financial Crimes section of the Department of State's International Narcotics Control Strategy Report (INCSR) has been prepared in accordance with section 489 of the Foreign Assistance Act of 1961, as amended (the "FAA," 22 U.S.C. § 2291). The 2012 INCSR is the 29th annual report prepared pursuant to the FAA.¹

The FAA requires a report on the extent to which each country or entity that received assistance under chapter 8 of Part I of the Foreign Assistance Act in the past two fiscal years has "met the goals and objectives of the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances" ("1988 UN Drug Convention") (FAA § 489(a)(1)(A)).

Although the 1988 UN Drug Convention does not contain a list of goals and objectives, it does set forth a number of obligations that the parties agree to undertake. Generally speaking, it requires the parties to take legal measures to outlaw and punish all forms of illicit drug production, trafficking, and drug money laundering, to control chemicals that can be used to process illicit drugs, and to cooperate in international efforts to these ends. The statute lists action by foreign countries on the following issues as relevant to evaluating performance under the 1988 UN Drug Convention: illicit cultivation, production, distribution, sale, transport and financing, money laundering, asset seizure, extradition, mutual legal assistance, law enforcement and transit cooperation, precursor chemical control, and demand reduction.

In attempting to evaluate whether countries and certain entities are meeting the goals and objectives of the 1988 UN Drug Convention, the Department has used the best information it has available. The 2012 INCSR covers countries that range from major drug producing and drug-transit countries, where drug control is a critical element of national policy, to small countries or entities where drug issues or the capacity to deal with them are minimal. In addition to identifying countries as major sources of precursor chemicals used in the production of illicit narcotics, the INCSR is mandated to identify major money laundering countries (FAA § 489(a)(3)(C)). The INCSR also is required to report findings on each country's adoption of laws and regulations to prevent narcotics-related money laundering (FAA § 489(a)(7)(C)). This report is the section of the INCSR that reports on money laundering and financial crimes.

A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking" (FAA § 481(e)(7)). However, the complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaging in transactions involving significant amounts of proceeds of other serious crime are vulnerable to narcotics-related money laundering. Additionally, money laundering activity has moved beyond banks and traditional financial institutions to other non-financial businesses and professions and alternative money and value transfer systems. This year's list of major money laundering countries recognizes this relationship by including all countries and other jurisdictions whose

¹ The 2012 report on Money Laundering and Financial Crimes is a legislatively mandated section of the U.S. Department of State's annual International Narcotics Control Strategy Report. This 2012 report on Money Laundering and Financial Crimes is based upon the contributions of numerous U.S. Government agencies and international sources. Specifically, the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN), which, as a member of the international Egmont Group of Financial Intelligence Units, has unique strategic and tactical perspective on international anti-money laundering developments. Many other agencies also provided information on international training as well as technical and other assistance, including the following: Department of Homeland Security's Bureau of Immigration and Customs Enforcement; Department of Justice's Asset Forfeiture and Money Laundering Section (AFMLS) of Justice's Criminal Division, Drug Enforcement Administration, Federal Bureau of Investigation, and Office for Overseas Prosecutorial Development Assistance; and, Treasury's Internal Revenue Service, Office of the Comptroller of the Currency, and Office of Technical Assistance. Also providing information on training and technical assistance are the independent regulatory agencies, Federal Deposit Insurance Corporation and the Federal Reserve Board.

financial institutions and/or non-financial businesses and professions or other value transfer systems engage in transactions involving significant amounts of proceeds from all serious crime. A government (e.g., the United States or the United Kingdom) can have comprehensive anti-money laundering laws on its books and conduct aggressive anti-money laundering enforcement efforts but still be classified a major money laundering jurisdiction. In some cases, this classification may simply or largely be a function of the size of the jurisdiction's economy. In such jurisdictions, quick, continuous and effective anti-money laundering efforts by the government are critical. The following countries/jurisdictions have been identified this year in this category:

Major Money Laundering Countries in 2011:

Afghanistan, Antigua and Barbuda, Argentina, Australia, Austria, Bahamas, Belize, Bolivia, Brazil, British Virgin Islands, Burma, Cambodia, Canada, Cayman Islands, China, Colombia, Costa Rica, Curacao, Cyprus, Dominican Republic, France, Germany, Greece, Guatemala, Guernsey, Guinea-Bissau, Haiti, Hong Kong, India, Indonesia, Iran, Iraq, Isle of Man, Israel, Italy, Japan, Jersey, Kenya, Latvia, Lebanon, Liechtenstein, Luxembourg, Macau, Mexico, Netherlands, Nigeria, Pakistan, Panama, Paraguay, Philippines, Russia, Singapore, Somalia, Spain, St. Maarten, Switzerland, Taiwan, Thailand, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Venezuela, and Zimbabwe.

The Money Laundering and Financial Crimes section provides further information on these countries/entities, as required by section 489 of the FAA.

Introduction

The *2012 International Narcotics Control Strategy Report, Money Laundering and Financial Crimes*, highlights the most significant steps countries and jurisdictions categorized as “Major Money Laundering Countries” have taken to improve their anti-money laundering/counter-terrorist financing (AML/CFT) regimes. The report provides a snapshot of the AML/CFT legal infrastructure of each country or jurisdiction and its capacity to share information and cooperate in international investigations. For each country where they have been completed, the write-up also provides a link to the most recent mutual evaluation performed by or on behalf of the Financial Action Task Force (FATF) or the FATF-style regional body to which the country or jurisdiction belongs. When applicable, relevant country reports also provide links to the Department of State’s “Country Reports on Terrorism” so the reader can learn more about issues specific to terrorism and terrorism financing. Providing these links will allow those interested readers to find detailed information on the country’s AML/CFT capacity and the effectiveness of its programs.

In addition, the report contains details of United States Government efforts to provide technical assistance and training as well as information on the multilateral organizations we support, either monetarily and/or through participation in their programs. In 2010, USG personnel leveraged their expertise to share their experience and knowledge with over 100 countries. They worked independently and with other donor countries and organizations to provide training programs, mentoring and support for supervisory, law enforcement, prosecutorial, customs and financial intelligence unit personnel as well as private sector entities. We expect these efforts, over time,

will build capacity in jurisdictions that are lacking, strengthen the overall level of global compliance with international standards and contribute to an increase in prosecutions and convictions of those who launder money or finance terrorists or terrorist acts.

Money laundering continues to be a serious global threat. Jurisdictions flooded with illicit funds are vulnerable to the breakdown of the rule of law, the corruption of public officials and destabilization of their economies. The development of new technologies and the possibility of linkages among illegal activities that generate considerable proceeds, transnational criminal organizations, and the funding of terrorist groups only exacerbate the challenges faced by the financial, law enforcement, supervisory, legal and intelligence communities. The continued development of AML/CFT regimes, as reflected in this report, is vital to countering these threats. Political stability, democracy and free markets depend on solvent, stable, and honest financial, commercial, and trade systems. The Department of State's Bureau of International Narcotics and Law Enforcement Affairs looks forward to continuing to work with our U.S. and international partners in furthering this important work and strengthening capacities globally to combat money laundering and the funding of terrorists and terrorism.

Bilateral Activities

Training and Technical Assistance

During 2011, a number of U.S. law enforcement and regulatory agencies provided training and technical assistance on money laundering countermeasures and financial investigations to their counterparts around the globe. These courses have been designed to give financial investigators, regulators and supervisors, and prosecutors the necessary tools to recognize, investigate, and prosecute money laundering, financial crimes, terrorist financing, and related criminal activity. Courses have been provided in the United States as well as in the jurisdictions where the programs are targeted.

Board of Governors of the Federal Reserve System (FRB)

An important component in the United States' efforts to combat and deter money laundering and terrorist financing is to verify that supervised financial organizations comply with the U.S. anti-money laundering/combating the financing of terrorism (AML/CFT) laws and have programs in place to comply with the Office of Foreign Assets Control (OFAC) sanctions.

Internationally, the FRB conducted training and provided technical assistance to banking supervisors in AML/CFT tactics in partnership with regional supervisory groups or multilateral institutions in Aruba, India, and Colombia, as well as in Washington, D.C. Countries participating in these FRB initiatives in 2011 were Argentina, Armenia, Aruba, Bahamas, Brazil, British Virgin Islands, Colombia, Curacao, Czech Republic, Ghana, Hong Kong, India, Indonesia, Jamaica, Kuwait, Lebanon, Malaysia, Mauritius, Mongolia, Nigeria, Paraguay, Philippines, Russia, Saudi Arabia, Singapore, Slovakia, Thailand, Trinidad, and Zambia.

Due to the importance the FRB places on international standards, the FRB's AML experts participate regularly in the U.S. delegation to the Financial Action Task Force (FATF) and the Basel Committee's AML/CFT expert group (AMLEG). The FRB is also an active participant in the U.S. Treasury Department's ongoing Private Sector Dialogue conferences. Staff also meets frequently with industry groups and foreign supervisors to communicate U.S. supervisory expectations and support industry best practices in this area.

Department of Homeland Security (DHS)

Immigration and Customs Enforcement (ICE)

During Fiscal Year 2011, Homeland Security Investigations (HSI), the investigative arm of the U.S. Department of Homeland Security (DHS), continued its commitment to providing financial investigative training to countries around the world. The HSI Illicit Finance and Proceeds of Crime Unit conducted and/or participated in training provided to over 900 members of foreign law enforcement, regulatory agencies, and bank and trade officials from over 25 nations around the world. Utilizing their broad experience and expertise in conducting international financial investigations, HSI designed the training to provide the attendees with the critical skills necessary to successfully identify and investigate financial crimes. The programs included such topics as an introduction to money laundering, investigating bulk cash smuggling, asset forfeiture, an overview of unlicensed money services business/informal value transfer systems, prepaid access devices, and interviewing techniques.

Cross Border Financial Investigations Training Seminar

The Cross Border Financial Investigation Training (CBFIT) program provides specialized training, technical assistance and best practices related to cross-border financial investigations to foreign law enforcement personnel, intelligence and administrative agencies, and judicial authorities.

CBFIT provides foreign partners with the capability to effectively implement international standards, with special emphasis on new technologies, dissuasive actions, competent authorities, international cooperation, alternative remittance, and cash couriers, among others.

Using primarily U.S. Department of State funding, HSI provided to host nations bilateral and multilateral training and technical assistance which consisted of blocks of training detailing the various aspects of money laundering and sharing of best practices on how to initiate multi-jurisdictional investigations from interdiction incidents. These countries included: Afghanistan, Bolivia, Brazil, Colombia, Dominican Republic, Egypt, Ethiopia, Indonesia, Mexico, Morocco, Panama, Paraguay, Peru, and Saudi Arabia, among others.

Through the U.S. Department of State's International Law Enforcement Academy (ILEA) programs, HSI conducted financial investigations and anti-money laundering training programs at various ILEA Training Centers.

Resident Cross Border Financial Investigations Advisor

HSI Special Agents and Intelligence Analysts have been deployed for extended periods of time to foreign posts to serve as Resident Cross Border Financial Investigations Advisors (R/CBFIA).

The R/CBFIA acts as the point of contact to host nation authorities for the coordination of training sessions. Once training is completed, the R/CBFIA remains available for in-person and/or telephone mentoring of host nation partners related to incidents involving the discovery/interdiction of currency or other financial instruments. This provides the host nation participants the opportunity to employ the material, tactics and technology learned in the classroom in a real world setting, while at the same time having the benefit of the experience, guidance and investigative resources of the R/CBFIA. The R/CBFIA utilizes this knowledge to update training aids/material by incorporating lessons learned from these incidents. In FY 2011, R/CBFIA's were deployed to the Philippines, Paraguay and Argentina.

Trade Transparency Units

Trade Transparency Units (TTUs) are designed to help identify significant disparities in import and export trade documentation and identify anomalies related to cross-border trade that are indicative of international trade-based money laundering. Trade is the common denominator in most of the world's alternative remittance systems and underground banking systems. Trade-based value transfer systems have also been used in terrorist financing. TTUs generate, initiate, and support investigations and prosecutions related to trade-based money laundering, the illegal movement of criminal proceeds across international borders, the abuse of alternative remittance systems, and other financial crimes. By sharing trade data, HSI and participating foreign governments are able to see both sides of import and export transactions for commodities entering or exiting their countries, thus assisting in the investigation of international money laundering organizations. The number of trade-based money laundering investigations emerging from TTU activity continues to grow.

The United States established a TTU within DHS/HSI that generates both domestic and international investigations. With funding from the U.S. Department of State, HSI worked to expand the network of operational TTUs beyond Colombia, Brazil, Argentina, Paraguay, Mexico and Panama. In 2011, Ecuador officially became the newest member of the TTU network. As part of this new TTU initiative, HSI provided IT equipment and training as well as increased support to this newly established TTU to ensure its successful development.

In 2011, HSI updated the technical capabilities of existing TTUs and trained new and existing TTU personnel from Brazil, Colombia, Paraguay, Argentina, Mexico, Panama and Ecuador, as well as members of their financial intelligence units. Additionally, HSI strengthened its relationship with the TTUs by deploying temporary and permanent personnel overseas to work onsite and provide hands-on training. These actions have continued to facilitate information sharing between the U.S. Government and foreign TTUs in furtherance of ongoing joint criminal investigations.

USG and Non-USG Partners

In FY11, HSI expanded its partnership and collaboration with a number of U.S. Government and non-U.S. Government agencies. HSI collaborated with the Department of Justice (DOJ) Asset Forfeiture and Money Laundering Section as well as DOJ Office of Overseas Prosecutorial Development and Training, the International Judicial Relations Committee, Treasury Office of Technical Assistance and the U.S. Army Western Hemisphere Institute for Security Cooperation. HSI contributed or partnered with these entities to deliver financial investigations best practices to members of the law enforcement community.

HSI maintains a robust relationship with international organizations like the Organization of American States, the United Nations Office on Drugs and Crime and the South America Financial Action Task Force. HSI provided subject matter expertise during sub-regional workshops held in Costa Rica, Antigua, Ethiopia, Bolivia and Moldova. The workshops addressed best practices in the implementation of anti-money laundering and counter-financing of terrorism regimes.

Department of Justice

Drug Enforcement Agency (DEA)

The Drug Enforcement Administration's (DEA's) Office of Financial Operations (FO) provides expert guidance to DEA's domestic and foreign offices as well as international law enforcement agencies regarding issues related to all aspects of financial investigations. FO works with DEA offices, foreign counterparts and other agencies to identify the financial infrastructure supporting drug trafficking organizations and provides the financial expertise to fully dismantle and disrupt all aspects of these criminal organizations. FO facilitates cooperation between countries, resulting in the identification and prosecution of drug money laundering organizations as well as the seizure of assets and the denial of revenue. FO regularly briefs and educates United States diplomats, foreign governmental officials, military and law enforcement counterparts regarding the latest trends in money laundering, narco-terrorism financing, international banking, offshore corporations, international wire transfers of funds and financial investigations.

During 2011, FO conducted numerous international symposiums for hundreds of foreign law enforcement and military counterparts to strategize regarding effective techniques to be utilized in financial investigations. Some of the foreign officials briefed by FO include representatives from Afghanistan, Australia, Brazil, Dominican Republic, Ecuador, El Salvador, Germany, Italy, Kazakhstan, Netherlands, Nicaragua, Paraguay, Peru, The Philippines, Romania, Saudi Arabia, Sierra Leone, Turkey, United Kingdom, and Uzbekistan. During 2011, FO conducted seminars in Albania, Bahamas, Belgium, Colombia, Costa Rica, Dominican Republic, Guatemala, Iceland, Kazakhstan, Mexico, Paraguay, Poland, Qatar, Romania, Russia, Sweden, Thailand, Turkey, and Uzbekistan. In 2011, FO and the Dutch National Police hosted an International Money Laundering Symposium in The Hague, Netherlands. This symposium was attended by over 110 law enforcement money laundering investigators from 32 countries. These investigators discussed the money laundering trends they were observing in their jurisdictions and effective law enforcement techniques to counter these trends. There were also several presentations concerning emerging money laundering trends being used by criminal organizations around the world.

Federal Bureau of Investigation (FBI),

During 2011, with the assistance of the Department of State funding, the U.S. Federal Bureau of Investigation (FBI) continued its extensive international training in combating terrorist financing, money laundering, financial fraud and complex financial crimes, as well as training in conducting racketeering enterprise investigations. One such training program is the FBI's

International Training And Assistance Unit (ITAU), located at the FBI academy in Quantico, Virginia. ITAU coordinates with the terrorist financing and operations section of the FBI's counterterrorism division, as well as other divisions at FBI headquarters and in the field, to provide instructors for these international initiatives. FBI instructors, who are most often financial analysts, intelligence analysts, staff operation specialists, operational special agents or supervisory special agents, rely on their experience to relate to the international law enforcement students as peers and partners in the training courses.

The FBI regularly conducts training through the International Law Enforcement Academies (ILEA) in Bangkok, Thailand; Budapest, Hungary; Gaborone, Botswana; and San Salvador, El Salvador. In 2011, the FBI delivered training to 192 students from ten countries at ILEA Budapest. At ILEA Bangkok, the FBI provided training to 47 students from nine countries in the supervisory criminal investigators course. At ILEA Gaborone, the FBI provided training to 161 students from 18 African countries. At ILEA San Salvador, the FBI provided training to 137 students from 19 countries.

Also in 2011, the FBI conducted, jointly with the internal revenue service criminal investigative division, a one-week course on combating terrorist financing and money laundering for 135 international students from Algeria, Pakistan, and Yemen. In addition, the FBI did terrorism investigation training in Thailand, financial crimes training in Trinidad and Tobago, and money laundering training in Serbia and Mexico for 241 international students.

At the FBI academy, the FBI included blocks of instruction on combating terrorist financing and/or money laundering for 29 students participating in the Latin American Law Enforcement Executive Development Seminar; the students were from Chile, Colombia, Costa Rica, Dominican Republic, Guatemala, Nicaragua, Panama, Paraguay, Peru, Spain, Uruguay, and Venezuela. The FBI included similar blocks of instruction for 21 students participating in the Arabic Language Law Enforcement Executive Development Seminar; the students were from Algeria, Egypt, Iraq, Jordan, Kuwait, Morocco, Saudi Arabia, Tunisia and The United Arab Emirates.

In addition, as part of the FBI's pacific training initiative, the FBI included terrorist financing instruction for 50 participants from 13 countries; the students were from Australia, Cambodia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Thailand, and The United States.

Office of Overseas Prosecutorial Development, Assistance and Training, the Asset Forfeiture and Money Laundering Section, & Counterterrorism Section (OPDAT, AFMLS, and CTS)

The U.S. Department of Justice's (DOJ) Asset Forfeiture and Money Laundering Section (AFMLS) of the Criminal Division and the Office of Overseas Prosecutorial Development, Assistance, and Training (OPDAT) continued to join forces in providing Financial Investigations and Prosecutions and Money Laundering and Asset Forfeiture technical assistance programs. The programs also draw upon expertise within DOJ, including from AFMLS, the Counterterrorism Section of the National Security Division (CTS), and U.S. Attorney's Offices. Much of the assistance provided by OPDAT and AFMLS is provided with funding from the U.S.

Department of State. Funds are also provided by the U.S. Agency for International Development and the Millennium Challenge Corporation.

An important component in this cooperation is OPDAT's Resident Legal Assistance program. Resident Legal Advisors (RLAs) are federal prosecutors who provide in-country technical assistance to improve capacity, efficiency, and professionalism within foreign criminal justice systems. RLAs are posted to U.S. embassies for a period of one or two years to work directly with counterparts in legal and law enforcement agencies, including ministries of justice, prosecutor's offices, and offices within the judiciary branch. RLAs provide assistance in legislative drafting, modernizing policies and practices, and training law enforcement personnel, including prosecutors and judges. RLAs also work with DOJ's International Criminal Investigative Training Assistance Program (ICITAP), other DOJ components, other donors, and multilateral organizations to provide assistance to police and other investigative officials.

In 2011, OPDAT, AFMLS, and CTS met with more than 195 international visitors from more than 17 countries and provided presentations on anti-money laundering (AML) and/or counter-terrorist finance (CFT) topics. Presentations covered U.S. policies to combat terrorism, U.S. legislation and issues raised in implementing new legislative tools, and the changing relationship of criminal and intelligence investigations. The meetings also covered money laundering and material support statutes, and the Classified Information Procedures Act. Of great interest to visitors is the balancing of civil liberties and national security issues, which is also addressed.

Money Laundering/Asset Forfeiture/Fraud

In 2011, OPDAT and AFMLS provided training to foreign judges; prosecutors; other law enforcement officials; legislators; customs, supervisory, and financial intelligence unit (FIU) personnel, and private sector participants, and provided assistance in drafting AML statutes compliant with international standards. Topics addressed include the investigation and prosecution of complex financial crimes, economic crimes, money laundering, and corruption; the use of asset forfeiture as a law enforcement tool; counterfeiting; health care fraud; international mutual legal assistance, and recovering and managing assets from crime and corruption. Training programs addressing some or all of these topics were held for participants from Egypt, Indonesia, Jordan, Kenya, the Philippines, Turkey, and the United Arab Emirates. Additional programs include the following:

OPDAT and AFMLS co-sponsored the Second Southeast Asia Asset Forfeiture and Financial Investigations Conference, which had 125 participants from 20 countries. In addition, OPDAT and AFMLS co-sponsored a seminar on the investigation and prosecution of financial crimes in Bangladesh that covered such topics as non-conviction based forfeiture, NGO/charities, hawala/hundi, cash bulk smuggling, and mobile banking.

In Indonesia, OPDAT co-sponsored training to familiarize law enforcement agencies with the provisions of the new anti-money laundering law. With RLA support, the first of three anti-money laundering centers opened at the University of Indonesia in Jakarta.

In Kenya, the RLA formed an anti-money laundering roundtable to encourage the Kenyan government and its key partners to coordinate efforts among the various entities working on AML issues in Kenya.

OPDAT and AFMLS hosted training for Bosnian judges that provided instruction on Bosnian asset forfeiture law and procedure with a view to increasing the utilization of asset forfeiture by Bosnian judges in criminal proceedings. AFMLS also met with officials who are forming an asset recovery fund and will provide them an asset tracking software funded by AFMLS and developed in Thailand.

Terrorism/Terrorist Financing

OPDAT, AFMLS, and CTS, with the assistance of other DOJ components, play central roles in providing technical assistance to foreign counterparts to attack the financial underpinnings of terrorism and to build legal infrastructures to combat it. In this effort, OPDAT, CTS, and AFMLS work as integral parts of the interagency U.S. Terrorist Financing Working Group (TFWG), co-chaired by the State Department's INL Bureau and the Bureau for Counterterrorism.

In 2011, the TFWG supported five RLAs assigned overseas in Bangladesh, Iraq, Kenya, Turkey, and the UAE. The RLA for the UAE is also responsible for OPDAT program activities in Saudi Arabia, Kuwait, Qatar, Jordan, Yemen, Oman, and Bahrain. Working in countries deemed to be vulnerable to terrorist financing, RLAs focus on money laundering and financial crimes and developing counter-terrorism legislation that criminalizes terrorist acts, terrorist financing, and the provision of material support or resources to terrorist organizations. In 2011, OPDAT conducted CFT, counter-terrorism and designation training for participants from Indonesia and Thailand.

Additionally, OPDAT co-sponsored U.S.-based training for Turkish government officials on the benefits of interagency cooperation in counter-terrorism and counter-narcotics to lay the groundwork for a Department of Defense-sponsored, Joint Inter-Agency Counter-Trafficking Center (JICTC) in Turkey and to promote sharing of terrorist and law enforcement data among U.S., Turkish and international law enforcement partners. OPDAT also sponsored a conference in Turkey designed to promote cross-border cooperation between Turkey and Iraq that focused on counter-terror financing and money laundering.

Department of State

The U.S. Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) Office of Anti-Crime Programs helps strengthen criminal justice systems and the abilities of law enforcement agencies around the world to combat transnational criminal threats before they extend beyond their borders and impact our homeland. Through its international programs, as well as in coordination with other INL offices and U.S. Government agencies, the INL Office of Anti-Crime Programs addresses a broad cross-section of law enforcement and criminal justice sector areas including: counternarcotics; drug demand reduction; money laundering; financial crime; terrorist financing; transnational crime; smuggling of goods; illegal migration; trafficking in persons; domestic violence; border controls; document security; corruption; cyber-crime; intellectual property rights; law enforcement; police academy development; and assistance to judiciaries and prosecutors.

INL and the State Department's Bureau for Counterterrorism (S/CT) co-chair the interagency Terrorist Finance Working Group (TFWG), and together are implementing a multi-million dollar training and technical assistance program designed to develop or enhance the capacity of a selected group of more than two dozen countries whose financial sectors have been used, or are vulnerable to being used, to finance terrorism. As is the case with the more than 100 other countries to which INL-funded training was delivered in 2011, the capacity to thwart the funding of terrorism is dependent on the development of a robust anti-money laundering regime. Supported by and in coordination with the U.S. Department of State, U.S. Department of Justice (DOJ), U.S. Department of Homeland Security (DHS), U.S. Department of the Treasury, the Federal Deposit Insurance Corporation, and various nongovernmental organizations, the TFWG provided in 2011 a variety of law enforcement, regulatory and criminal justice programs worldwide. This integrated approach includes assistance with the drafting of legislation and regulations that comport with international standards, the training of law enforcement, the judiciary and bank regulators, as well as the development of financial intelligence units (FIUs) capable of collecting, analyzing, and disseminating financial information to foreign analogs. Courses and training have been provided in the United States as well as in the jurisdictions where the programs are targeted.

Nearly every federal law enforcement agency assisted in this effort by providing basic and advanced training courses in all aspects of financial criminal investigation. Likewise, bank regulatory agencies participated in providing advanced AML/CFT training to supervisory entities. In addition, INL made funds available for the intermittent or full-time posting of legal and financial mentors at selected overseas locations. These advisors work directly with host governments to assist in the creation, implementation, and enforcement of anti-money laundering, counter-terrorist financing and financial crime legislation. INL also provided several federal agencies funding to conduct multi-agency financial crime training assessments and develop specialized training in specific jurisdictions to combat money laundering.

The State Department, in conjunction with DHS' Immigration and Customs Enforcement (ICE) and the Department of Treasury, supports seven trade transparency units (TTUs) in Latin America: three in the tri-border area of Brazil, Argentina, and Paraguay, and others in Colombia, Ecuador, Mexico, and Panama. TTUs are entities designed to help identify significant disparities in import and export trade documentation and continue to enjoy success in combating money laundering and other trade-related financial crimes. Similar to the Egmont Group of FIUs that examines and exchanges information gathered through financial transparency reporting requirements, an international network of TTUs would foster the sharing of disparities in trade data between countries and be a potent weapon in combating customs fraud and trade-based money laundering. Trade is the common denominator in most of the world's alternative remittance systems and underground banking systems. Trade-based value transfer systems also have been used in terrorist finance.

The success of the Caribbean Anti-Money Laundering Program led INL to develop a similar type of program for small Pacific island jurisdictions. Accordingly, INL funded the establishment of the Pacific Island Anti-Money Laundering Program (PALP) in 2005. The objectives of PALP are to reduce the laundering of the proceeds of all serious crime and the financing of terrorists by facilitating the prevention, investigation, and prosecution of money laundering. PALP's staff of resident mentors provides regional and bilateral AML/CFT mentoring, training and technical assistance to the 14 Pacific Islands Forum countries that are not members of the Financial Action Task Force (FATF). The management of the program was transferred to the UN Global Program

against Money Laundering from the Pacific Islands Forum in September 2008, as the PALP began its third year of operation. The PALP completed its work in 2011, following its successful program, as evidenced by the new laws, increased capacity and successful investigations completed by participant jurisdictions.

INL also provided support to the UN Global Program against Money Laundering (GPML) in 2011. In addition to sponsoring money laundering conferences and providing short-term training courses, GPML instituted its mentoring program to provide advisors on a year-long basis to specific countries or regions. GPML mentors provided assistance to Horn of Africa countries targeted by the U.S. East Africa Counterterrorism Initiative as well as asset forfeiture assistance to Namibia, Botswana, and Zambia. The resident mentor based in Namibia initiated and monitored the Prosecutor Placement Program, an initiative aimed at placing prosecutors from the region for a certain period of time within the asset forfeiture unit of South Africa's national prosecuting authority. The GPML mentors in Central Asia and the Mekong Delta continued assisting the countries in those regions to develop viable AML/CFT regimes. GPML continues to develop interactive computer-based programs for distribution, translated into several languages.

INL continues to provide significant financial support for many of the anti-money laundering bodies around the globe. During 2011, INL supported FATF, the international AML/CFT standard setting organization. In addition to sharing mandatory membership dues to FATF and the Asia/Pacific Group on Money Laundering (APG) with the U.S. Department of the Treasury and DOJ, INL is a financial supporter of FATF-style regional bodies' secretariats and training programs, including the Council of Europe's MONEYVAL, the Caribbean Financial Action Task Force (CFATF), the Intergovernmental Action Group against Money-Laundering in West Africa (GIABA), the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) and the South American Financial Action Task Force (GAFISUD). In addition to providing funding to GPML to place a residential mentor in Dakar, Senegal, to assist those member states of GIABA that have enacted the necessary legislation to develop FIUs, INL worked with the mentor to determine priorities and develop opportunities and programs. INL also financially supported the Organization of American States (OAS) Inter-American Drug Abuse Control Commission (CICAD) Experts Group to Control Money Laundering and the OAS Counter-Terrorism Committee.

INL has supported anti-piracy efforts by substantively working with other bureaus within DOS as well as with international organizations and other countries, to look at the best way to address piracy through its financial levers – the assets assembled as a result of piracy activity, and the material support and instrumentalities of piracy – and the application of domestic and international instruments to thwart pirates as we do other criminals.

As in previous years, INL training programs continue to focus on both interagency bilateral and multilateral efforts. When possible, we seek participation with our partner countries' law enforcement, judicial and central bank authorities to design and provide training and technical assistance to countries with the political will to develop viable AML/CFT financing regimes. This allows for extensive synergistic dialogue and exchange of information. INL's approach has been used successfully in Africa, Asia, the Pacific, Central and South America, and Eastern Europe. INL also provides funding for many of the regional training and technical assistance programs offered by the various law enforcement agencies, including assistance to the International Law Enforcement Academies.

International Law Enforcement Academies (ILEAs)

The mission of the regional International Law Enforcement Academies (ILEAs) is to support emerging democracies, help protect U.S. interests through international cooperation, and promote social, political and economic stability by combating crime. To achieve these goals, the ILEA program provides high-quality training and technical assistance, supports institution building and enforcement capability development, and fosters relationships of American law enforcement agencies with their counterparts around the world. ILEAs also encourage strong partnerships among regional countries to address common problems associated with criminal activity.

The regional ILEAs address regional law enforcement priorities to combat security threats. The regional ILEAs offer three different types of programs: the core program, specialized courses, and seminars or workshops. The core program is a six-week series of blocks of instruction tailored to region-specific needs and emerging global threats. The core program typically includes 50 participants, normally from three or more countries. The specialized courses are one or two-week courses for law enforcement or criminal justice officials on a specific topic, comprised of about 30 participants. Lastly, regional seminars or workshops present various emerging law enforcement topics such as transnational crimes, financial crimes, and counter-terrorism.

The ILEAs help to develop an extensive network of alumni who exchange information with their regional and U.S. counterparts and assist in transnational investigations. Many ILEA graduates become the leaders and decision-makers in their respective law enforcement organizations. The Department of State coordinates with the Departments of Justice (DOJ), Homeland Security (DHS) and the Treasury, and with foreign government counterparts to implement the ILEA programs. To date, the combined ILEAs have trained over 38,000 officials from over 85 countries in Africa, Asia, Europe and Latin America.

Africa. ILEA Gaborone (Botswana) opened in 2001. Its main feature is a six-week intensive professional development program – the Law Enforcement Executive Development Program (LEEDP) – designed for law enforcement mid-level managers. The LEEDP brings together approximately 40 participants from several nations for instruction in areas such as combating transnational criminal activity, supporting democracy by stressing the rule of law in international and domestic police operations, and overall professional development through enhanced leadership and management techniques. ILEA Gaborone also offers specialized courses for police and other criminal justice officials to boost their capacity to work with U.S. and regional counterparts. These courses concentrate on specific methods and techniques in a variety of subjects, such as counter-terrorism, anti-corruption, financial crimes, border security, drug enforcement, and many others. Instruction is provided to participants from Angola, Botswana, Burundi, Cameroon, Comoros, Djibouti, Ethiopia, Gabon, Ghana, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Republic of Congo, Rwanda, Senegal, Seychelles, Sierra Leone, South Africa, Swaziland, Tanzania, Uganda and Zambia. Trainers from the United States and Botswana provide instruction. ILEA Gaborone trains approximately 500 students annually.

Asia. ILEA Bangkok (Thailand) opened in 1999. ILEA Bangkok focuses on enhancing regional cooperation against transnational crime threats in Southeast Asia, primarily illicit drug trafficking, financial crimes, and human trafficking. The principal objectives of the ILEA are the development of effective law enforcement cooperation within the member countries of the Association of Southeast Asian Nations (ASEAN), Timor Leste and China (including the Special Administrative Regions of Hong Kong and Macau), and the strengthening of each jurisdiction's criminal justice institutions to increase its abilities to cooperate in the suppression of transnational crime. ILEA Bangkok provides a Core course - the Supervisory Criminal Investigator Course (SCIC) - designed to strengthen management and technical skills for supervisory criminal investigators and other criminal justice managers. In addition, it also provides over 20 specialized courses—each lasting one to two weeks—on a variety of criminal justice topics each year. ILEA Bangkok has offered specialized courses on narcotics trafficking, and terrorist financing-related topics such as Complex Financial Investigations (instructed by IRS). Instruction is provided to participants from Brunei, Cambodia, China, Hong Kong, Indonesia, Laos, Macau, Malaysia, Philippines, Singapore, Thailand, Timor Leste and Vietnam. Subject matter experts from the United States, Thailand, Japan, Philippines, Australia and Hong Kong provide course instruction. ILEA Bangkok trains approximately 1,400 students annually.

Europe. ILEA Budapest (Hungary) was the first ILEA, established in 1995. The mission of the ILEA has been to support the region's emerging democracies by combating an increase in criminal activity that emerged against the backdrop of economic and political restructuring following the collapse of the Soviet Union. The ILEA provides advanced training for law enforcement and criminal justice officials on regional threats such as organized crime, cybercrime, and anti-money-laundering topics. Instruction is provided to participants from Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Georgia, Hungary, Kazakhstan, Kosovo, Macedonia, Moldova, Montenegro, Romania, Russia, Serbia, Slovakia, Slovenia, Tajikistan, Turkmenistan, Turkey, Ukraine and Uzbekistan. Trainers from over 17 federal agencies and local jurisdictions from the United States, Hungary, United Kingdom, Russia, INTERPOL and the Council of Europe provide instruction. ILEA Budapest trains approximately 950 students annually.

Global. ILEA Roswell (New Mexico) opened in September 2001. In 2011 INL revised and updated the Roswell program in an effort to address ever emerging global criminal threats. ILEA Roswell, through a combination of academic programs, senior policy forums and model law workshops provides the tools necessary to enable partner countries to formulate and execute effective and responsible criminal justice public policy. The Academic program will equip participants with the knowledge and skills necessary for successful criminal justice careers with a strong focus on constructing an international network of like minded U.S. and foreign counterparts. The Criminal Policy Forum proceedings will focus on familiarizing high-level officials with essential elements to counter emerging criminal threats and on encouraging partner country officials to work inter- and intra-regionally to establish cooperative means to counter criminal activity consistent with international standards. The Model Law programs will engage ILEA partner countries on enhancing their legal and regulatory frameworks, and instilling a deep-seated appreciation for the importance of implementing modern, effective criminal justice legislation. The participants are drawn from pools of ILEA graduates from the Academies in Bangkok, Budapest, Gaborone, San Salvador and the ILEA Regional Training Center (RTC) in Lima. ILEA Roswell trains approximately 350 students annually.

Latin America. ILEA San Salvador (El Salvador) opened in 2005. Its training program is similar to the ILEAs in Bangkok, Budapest and Gaborone. It offers a six-week Law Enforcement Management Development Program (LEMDP) for law enforcement and criminal justice officials as well as specialized courses for police, prosecutors, and judicial officials. ILEA San Salvador normally delivers four LEMDP sessions and approximately 20 specialized courses annually, concentrating on international terrorism, illegal trafficking in drugs, alien smuggling, terrorist financing and financial crimes investigations. Segments of the LEMDP focus on terrorist financing (presented by the FBI) and financial evidence/money laundering application (presented by DHS/Federal Law Enforcement Training Center and IRS). Instruction is provided to participants from: Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Honduras, Jamaica, Mexico, Nicaragua, Panamá, Paraguay, Perú, St. Kitts and Nevis, St. Lucia, St. Vincent, Suriname, Trinidad and Tobago, Uruguay and Venezuela. ILEA San Salvador trains approximately 1,000 students per year.

The **ILEA Regional Training Center** in Lima (Peru) opened in 2007 to complement the mission of ILEA San Salvador. The RTC augments the delivery of region-specific training for Latin America and concentrates on specialized courses on critical topics for countries in the Southern Cone and Andean Regions. The RTC trains approximately 300 students per year.

Department of the Treasury

Financial Crimes Enforcement Network (FinCEN)

The Financial Crimes Enforcement Network (FinCEN) is a bureau of the U.S. Department of the Treasury and is the U.S. financial intelligence unit (FIU). In 2011, FinCEN hosted representatives from a variety of foreign government agencies, focusing on topics such as money laundering trends and patterns, the Bank Secrecy Act, the USA PATRIOT ACT, communications systems and databases, and case processing. A number of these visitors were participants in the U.S. Department of State's International Visitor Leadership Program.

FinCEN assists new or developing FIUs it is co-sponsoring for membership in the Egmont Group of FIUs. The Egmont Group is comprised of FIUs that cooperatively agree to share financial intelligence and has become a key standard-setting body for FIUs. FinCEN is currently co-sponsoring FIUs from nine jurisdictions for Egmont Group membership: China, Dominican Republic, Ghana, Jordan, Kuwait, Oman, Pakistan, Tanzania and Yemen. As a member of the Egmont Group, FinCEN also works multilaterally through its representative on the Egmont Training Working Group to design, implement, and instruct at Egmont-sponsored training programs for Egmont Group members as well as Egmont candidate FIUs.

FinCEN regularly engages with foreign FIUs to exchange information on operational practices and issues of mutual concern. The participants in these exchanges share ideas, innovations, and insights that lead to improvements in such areas as analysis, information flow, and information security at their home FIUs, in addition to deeper and more sustained operational collaboration. In 2011, FinCEN conducted analyst exchanges with the FIUs of Afghanistan, Brazil, Nigeria, Panama, Paraguay, the Philippines, Russia, and Tanzania.

Internal Revenue Service (IRS), Criminal Investigative Division (CID)

In 2011, Internal Revenue Service, Criminal Investigation (IRS-CI) continued its involvement in international training and technical assistance efforts designed to assist international law enforcement officers in detecting tax, money laundering, and terrorist financing crimes. With funding provided by the U.S. Department of State and other sources, IRS-CI delivered training through agency and multi-agency technical assistance programs to international law enforcement agencies. IRS-CI partnered with several U.S. Government and multilateral organizations, including agencies and offices of the U.S. Departments of State, Justice, Treasury and Homeland Security; the Joint Interagency Task Force West; host country governments; and the IMF to deliver a variety of training.

Financial Investigative Techniques Training

Training primarily consisted of Basic, Intermediate and Advanced Financial Investigative Techniques (FIT) courses which, depending on the venue, focused on indirect methods of proof, an overview of global and regional investigative issues, tax laws, bank records, interviewing, off-shore banking, and/or corporate fraud. In 2011, IRS-CI conducted FIT courses for law enforcement, customs, intelligence, and revenue officers; prosecutors; for the following countries: Albania, Algeria, Australia, Cambodia, Colombia, Denmark, Finland, Hungary, Iceland, Kosovo, New Zealand, Norway, Philippines, Senegal, South Korea, Sweden, and Thailand.

Other Training Initiatives

Funded by the Korean National Tax Service, IRS-CI provided a one week Special Investigative Technique course to 49 participants in South Korea. Topics included investigative tools, undercover operations and forensic accounting.

In Indonesia, 30 participants received training in public corruption and complex financial investigation techniques. This course used various practical exercises to instruct participants in Indonesian case law dealing with money laundering, public corruption and asset recovery. IRS-CI also presented a one week Fraud and Public Corruption course in Thailand for 48 participants from Thailand's financial and anti-corruption units.

IRS-CI presented an organized crime seminar to approximately 40 - 50 Georgian investigators and prosecutors.

Multiple training seminars were presented to investigators, prosecutors and judges in Kosovo. These seminars were part of the ongoing United States Attorney's Office for the Eastern District of North Carolina - Kosovo initiative and their focus was to encourage aggressive investigations, case development, and the use of plea bargaining to develop evidence to resolve cases.

IRS-CI presented three workshops on financial investigations, with an emphasis on money laundering, to a total of 101 Canadian law enforcement officials. IRS-CI also participated in

delivering training to combat terrorism financing and money laundering in Islamabad, Pakistan; Cairo, Egypt; and Johannesburg, South Africa.

Sixty Mexican federal judges, prosecutors, financial intelligence analysts, and investigators attended a one week money laundering course. Another program titled “Using Financial Evidence in Criminal Prosecutions – Illicit Financing and Money Laundering” provided participants information on money laundering, financial investigations, asset forfeiture, and special investigative techniques, with an international scope. Other training included a one week casino gaming conference that assisted the Mexican government in developing best practices for regulating gaming activity and preventing money laundering. A three-day counter-terrorism and money laundering course was also presented to federal prosecutors, investigators, forensic criminalists and representatives from the Mexican financial intelligence unit.

International Law Enforcement Academy Training

IRS-CI provided instructor support to the State Department International Law Enforcement Academies (ILEA).

ILEA Bangkok: IRS-CI participated in one Supervisory Criminal Investigator Course which included participants from various law enforcement agencies. IRS-CI also conducted two FIT sessions for 93 participants from various law enforcement agencies from the following countries: Brunei, Cambodia, China, Hong Kong, Indonesia, Laos, Macau, Malaysia, Philippines, Singapore, Thailand, and Vietnam. Additionally, a one week Fraud and Public Corruption course was presented to 42 participants from ten countries. The training focused on recognizing methods of bribery and corruption and included two extensive practical exercises.

ILEA Budapest: IRS-CI participated in delivering five sessions of the ILEA core program. Participating countries included Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Kazakhstan, Kosovo, Macedonia, Montenegro, Moldova, Romania, Serbia, Turkey, and Ukraine. IRS-CI also conducted a one week FIT course for 30 law enforcement officials from Croatia, Montenegro, and Serbia.

ILEA Gaborone: IRS-CI provided instructor support for four Law Enforcement Executive Development (LEED) programs for participants from Botswana, Cameroon, Republic of the Congo, Gabon, Ghana, Kenya, Lesotho, Malawi, Namibia, Nigeria, Rwanda, Senegal, Seychelles, Sierra Leone, Swaziland, and Tanzania. IRS-CI supplied the class coordinator for LEED 39. The coordinator organized and supervised the participants’ daily duties and activities.

ILEA San Salvador: IRS-CI assisted in the delivery of four courses for the Law Enforcement Management Development Programs (LEMDP) that stress the importance of conducting a financial investigation to further develop a large scale criminal investigation. Participants were from Antigua, Argentina, Barbados, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Jamaica, Panama, Paraguay, Peru, St Lucia, and Trinidad and Tobago. For LEMDP 20, IRS-CI provided the class coordinator. IRS-CI also led two one week FIT/Money Laundering courses. The 65 participants were members of their respective national police agencies and prosecutors’ offices. The FIT course provided an overview of global and regional investigative issues using a highly interactive simulated investigation.

Non-routine Training Events

The International Training Team (ITT) hosted two foreign delegations. Representatives from the Ugandan Revenue Authority and the Indian Central Board of Taxation toured the Federal Law Enforcement Training Center (FLETC). The delegations received an overview of Special Agent Basic Training and law enforcement techniques, plus briefings from other divisions at the FLETC.

The ITT completed two course development projects. Representatives from Norway and Denmark met at the FLETC to design and develop the Nordic Financial and Organized Crimes course. In Cambodia, the ITT met with banking, financial, law enforcement and judicial officials to assist in the development of Cambodian-specific course material.

ITT also participated in various overseas activities. At the Organization for Economic Cooperation and Development's Tax and Crime Conference, ITT provided a guest speaker on money laundering and bribery awareness. In Budapest, Hungary, IRS-CI met with Hungarian tax and customs officials to discuss future training initiatives.

Office of the Comptroller of the Currency (OCC)

The U.S. Department of the Treasury's (Treasury's) Office of the Comptroller of the Currency (OCC) charters, regulates and supervises all national banks and federal savings associations in the U.S. Its goal is to ensure these institutions operate in a safe and sound manner and comply with all consumer protection and anti-money laundering laws and implementing regulations. In 2011, the agency sponsored several initiatives to provide anti-money laundering/counter-financing of terrorism (AML/CFT) training to foreign banking supervisors. These initiatives include its annual AML/CFT School, which is designed specifically for foreign banking supervisors to increase their knowledge of money laundering and terrorist financing typologies and improve their ability to examine for and enforce compliance with national laws. The 2011 school was attended by foreign supervisors from Australia, Brazil, Canada, India, Indonesia, Italy, Korea, Malaysia, Netherlands, Philippines, Turkey, Taiwan and Zambia. In addition to organizing and conducting the School, OCC officials also met individually, both in the U.S. and overseas, with representatives from foreign law enforcement authorities, financial intelligence units and AML/CFT supervisory agencies to discuss the U.S. AML/CFT regime, the agency's risk-based approach to AML/CFT supervision, examination techniques and procedures, and enforcement actions.

The OCC continued its industry outreach efforts to the international banking community during 2011 by participating with other federal banking agencies in regulator panels at the 10th Annual International Anti-Money Laundering Conference (ACAMS) which was attended by more than 1,000 AML professionals from 50 countries and the Institute of International Bankers Annual Anti-Money Laundering Seminar which hosted attendees from 30 countries. The agency also participated in a similar panel at the Florida International Bankers Association (FIBA)'s Annual AML Compliance Conference. FIBA draws its membership from 18 countries worldwide.

The OCC also participated in Treasury's 2011 Private Sector Dialog which brings together Latin American and U.S. bankers to discuss issues related to AML compliance and an AML/CFT

conference organized by the Asociación de Bancos de México (ABM). This discussion focused on the U.S AML regime and approach to conducting supervisory examinations.

Office of Technical Assistance (OTA)

OTA is part of the Treasury Department and is comprised of five subject-matter teams focused on technical assistance to governments to promote financial sector reforms. The mission of the Economic Crimes Team (ECT) is to provide technical assistance in support of the development of anti-money laundering/counter-terrorist financing (AML/CFT) regimes. In that context, the ECT also addresses other financial and predicate crimes, including corruption and organized crime. The ECT mission entails a comprehensive approach to technical assistance, and its engagements are predicated on express requests by foreign government counterparts. ECT management conducts an on-site assessment of the jurisdiction, to consider not only non-compliance with international standards and the corresponding need for technical assistance, but also willingness by the counterpart to engage in a partnership with the ECT to address those deficiencies.

An engagement by the ECT is tailored to the specific conditions of the jurisdiction in which it is engaged. An ECT engagement may involve placement of a Resident Advisor or utilize Intermittent Advisors, under the coordination of a Team Leader. The nature of ECT technical assistance is broad and can include efforts to improve (i) the legal framework; (ii) technical competence of stakeholders; and (iii) awareness-raising aimed at the full range of AML/CFT stakeholders to include the public, legislative bodies and implementers. The range of training provided by the ECT is equally broad and includes financial investigative techniques; forensic accounting; financial analytic techniques; cross-border currency movement and trade-based money laundering; supervisory techniques; electronic evidence collection; the use of interagency task forces; and measures to address corruption as well as organized crime.

The ECT is divided along three regions -- Europe and Asia, Africa and the Middle East, and Latin America and the Caribbean -- each managed by a Regional Advisor. In 2011, the ECT delivered technical assistance programs in 25 jurisdictions. In the Western Hemisphere, the ECT operated Resident Advisor programs in Costa Rica, Guatemala, Haiti, Honduras, Mexico and Paraguay; an Intermittent Advisor program in Uruguay; and initiated programs in Guyana as well as Trinidad and Tobago. Highlights for 2011 include a successful, ongoing regional initiative in Central America aimed at international cooperation, particularly pertaining to asset forfeiture.

In Africa and the Middle East in 2011, the ECT operated Resident Advisor Programs in Botswana, Ghana, Iraq, Morocco and the Palestinian Authority; Intermittent Advisor programs in Saudi Arabia as well as Sao Tome and Principe; and conducted an assessment in Djibouti. Program highlights include support for the development of financial intelligence units (FIUs), particularly in Botswana, Ghana, Morocco and the Palestinian Authority. In Iraq, the ECT program focused its partnership on the Iraqi Commission on Integrity and the interplay among corruption, money laundering and asset recovery.

Likewise, in Europe and Asia in 2011, the ECT operated Resident Advisor programs in Afghanistan, Kosovo and the Mekong Region (Cambodia, Lao, Viet Nam); initiated an Intermittent Advisor program in Turkmenistan; and continued other Intermittent Advisor

programs in Armenia, Azerbaijan and Georgia. Particular attention was focused on FIU and financial investigative skills development.

OTA receives direct appropriations funding from the U.S. Congress. Additional funding sources include the U.S. State Department, Bureau of International Narcotics and Law Enforcement Affairs; the U.S. Agency for International Development; U.S. Embassies; and the Millennium Challenge Corporation, among others.

Federal Deposit Insurance Corporation (FDIC)

In 2011, the Federal Deposit Insurance Corporation (FDIC) continued to work in partnership with several Federal agencies and international groups to combat money laundering and inhibit the flow of terrorist funding. These efforts were focused primarily on training and outreach initiatives. In partnership with the U.S. Department of State, the FDIC hosted an anti-money laundering and counter-terrorist financing (AML/CFT) training session for 27 representatives from Ethiopia, Ghana, Kenya, Nigeria, and Tanzania. The training session addressed current trends and methodologies, the AML examination process, suspicious activity monitoring, customer due diligence, and foreign correspondent banking risks and controls.

During the year, the FDIC met with 20 supervisory and law enforcement representatives from Pakistan and the United Arab Emirates to discuss AML issues. Topics included examination policies and procedures, the USA PATRIOT Act, suspicious activity reporting requirements, and government information sharing mechanisms.

Treaties and Agreements

Treaties

Mutual Legal Assistance Treaties (MLATs) allow generally for the exchange of evidence and information in criminal and related matters. In money laundering cases, they can be extremely useful as a means of obtaining banking and other financial records from our treaty partners. MLATs, which are negotiated by the Department of State in cooperation with the Department of Justice to facilitate cooperation in criminal matters, are in force with the following countries: Antigua & Barbuda, Argentina, Australia, Austria, the Bahamas, Barbados, Belgium, Belize, Brazil, Canada, Cyprus, Czech Republic, Dominica, Egypt, Estonia, France, Germany, Greece, Grenada, Hong Kong, Hungary, India, Ireland, Israel, Italy, Jamaica, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malaysia, Mexico, Morocco, the Kingdom of the Netherlands (including Aruba, Bonaire, Curacao, Saba, St. Eustatius and St. Maarten), Nigeria, Panama, Philippines, Poland, Romania, Russia, St. Lucia, St. Kitts & Nevis, St. Vincent & the Grenadines, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Trinidad & Tobago, Turkey, Ukraine, United Kingdom (including the Isle of Man, Cayman Islands, Anguilla, British Virgin Islands, Montserrat and Turks and Caicos), Uruguay, and Venezuela. In addition, on February 1, 2010, 27 U.S.-EU Instruments/Agreements/Protocols entered into force that either supplement existing MLATs or create new mutual legal assistance relationships between the United States and every member of the EU. Mutual legal assistance agreements have been signed by the United States but not yet brought into force with the following countries: Algeria, Bermuda, and Colombia. The United States is engaged in negotiating additional MLATs with countries around the world. The United States also has signed and ratified the Inter-American Convention on Mutual Legal Assistance of the Organization of American States, the United Nations Convention against Corruption, the United Nations Convention against Transnational Organized Crime, the International Convention for the Suppression of the Financing of Terrorism, and the 1988 UN Drug Convention.

Agreements

In addition to MLATs, the United States has a Mutual Legal Assistance Agreement (MLAA) with China, as well as a MLAA between the American Institute in Taiwan and the Taipei Economic and Cultural Representative Office in the United States. The United States also has entered into a few executive agreements on forfeiture cooperation, including: an agreement with the United Kingdom providing for forfeiture assistance and asset sharing in narcotics cases; a forfeiture cooperation and asset sharing agreement with the Kingdom of the Netherlands; and a drug forfeiture agreement with Singapore. The United States has asset sharing agreements with Canada, the Cayman Islands (which was extended to Anguilla, British Virgin Islands, Montserrat, and the Turks and Caicos Islands), Colombia, Ecuador, Jamaica, Mexico, and Monaco.

Treasury's Financial Crimes Enforcement Network (FinCEN) has either a Memorandum of Understanding (MOU) or an exchange of letters in place with the financial intelligence units (FIUs) of many countries to facilitate the exchange of information between FinCEN and the respective country's FIU. FinCEN has an MOU or an exchange of letters with the FIUs in Albania, Argentina, Aruba, Australia, Belgium, Bermuda, Brazil, Bulgaria, Canada, Cayman Islands, Chile, Croatia, Cyprus, Egypt, France, Fiji, Guatemala, Indonesia, Israel, Italy, Japan, Macedonia, Malaysia, Malawi, Mauritius, Mexico, Montenegro, Moldova, the Netherlands, Nigeria, Panama, Paraguay, Philippines, Poland, Romania, Russia, San Marino, Saudi Arabia,

Senegal, Serbia, Singapore, Slovenia, South Africa, South Korea, Spain, the Money Laundering Prevention Commission of Taiwan and the United Kingdom.

Asset Sharing

Pursuant to the provisions of U.S. law, including 18 U.S.C. § 981(i), 21 U.S.C. § 881(e)(1)(E), and 31 U.S.C. § 9703(h)(2), the Departments of Justice, State, and Treasury have aggressively sought to encourage foreign governments to cooperate in joint investigations of narcotics trafficking and money laundering, offering the possibility of sharing in forfeited assets. A parallel goal has been to encourage spending of these assets to improve narcotics-related law enforcement. The long term goal has been to encourage governments to improve asset forfeiture laws and procedures so they will be able to conduct investigations and prosecutions of narcotics trafficking and money laundering that includes asset forfeiture. To date, Antigua, the Bahamas, Canada, Cayman Islands, Hong Kong, Jersey, Liechtenstein, Luxembourg, Singapore, Switzerland, and the United Kingdom have shared forfeited assets with the United States.

From 1989 through 2011, the international asset sharing program, administered by the Department of Justice, shared \$235,925,145 with 38 foreign governments that cooperated and assisted in investigations. In 2011, the Department of Justice agreed to transfer \$2,602,211 in forfeited proceeds to the Government of the Swiss Confederation, and \$276,950 in forfeited proceeds to the Government of the Bahamas. Prior recipients of shared assets include: Anguilla, Antigua and Barbuda, Argentina, the Bahamas, Barbados, British Virgin Islands, Canada, Cayman Islands, Colombia, Costa Rica, Dominican Republic, Ecuador, Egypt, Germany, Greece, Guatemala, Guernsey, Honduras, Hong Kong, Hungary, Indonesia, Isle of Man, Israel, Jordan, Liechtenstein, Luxembourg, Mexico, Netherlands Antilles, Panama, Paraguay, Peru, Romania, South Africa, Switzerland, Thailand, Turkey, the United Kingdom, and Venezuela.

From Fiscal Year (FY) 1994 through FY 2011, the international asset-sharing program administered by the Department of Treasury shared \$30,478,024 with foreign governments that cooperated and assisted in successful forfeiture investigations. In FY 2011, the Department of Treasury transferred \$54,561 in forfeited proceeds to Canada, and \$132,000 to the Philippines. Prior recipients of shared assets include: Aruba, Australia, the Bahamas, Brazil, Cayman Islands, China, Dominican Republic, Egypt, Guernsey, Honduras, Isle of Man, Japan, Jersey, Mexico, Netherlands, Nicaragua, Palau, Panama, Portugal, Qatar, St. Vincent & the Grenadines, Switzerland, the United Kingdom and Vietnam.

Multi-Lateral Organizations & Programs

The Financial Action Task Force (FATF) and FATF-Style Regional Bodies (FSRBs)

The Financial Action Task Force (FATF)

The Financial Action Task Force (FATF), created in 1989, is an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. The FATF currently has 36 members, comprising 34 member countries and territories and two regional organizations, as follows: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Iceland, India, Ireland, Italy, Japan, Luxembourg, Mexico, The Kingdom of the Netherlands (includes the Netherlands, Aruba, Curacao and Saint Maarten), New Zealand, Norway, Portugal, Republic of Korea, Russian Federation, Singapore, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom, the United States, the European Commission and the Gulf Cooperation Council.

There are also a number of FATF-style regional bodies that, in conjunction with the FATF, constitute an affiliated global network to combat money laundering and the financing of terrorism.

The Asia/Pacific Group on Money Laundering (APG)

The Asia/Pacific Group on Money Laundering (APG) was officially established in February 1997. The 41 APG members are as follows: Afghanistan, Australia, Bangladesh, Bhutan, Brunei Darussalam, Burma, Cambodia, Canada, China, Cook Islands, Fiji, Hong Kong, India, Indonesia, Japan, Laos, Macau, Malaysia, Maldives, Marshall Islands, Mongolia, Nauru, Nepal, New Zealand, Niue, Pakistan, Palau, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, South Korea, Sri Lanka, Taiwan, Thailand, Timor Leste, Tonga, United States, Vanuatu, and Vietnam. Bhutan joined the APG in July 2011.

The Caribbean Financial Action Task Force (CFATF)

The Caribbean Financial Action Task Force (CFATF) was established in 1992. CFATF has 29 members: Anguilla, Antigua & Barbuda, Aruba, The Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Curacao, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Montserrat, Nicaragua, St. Kitts & Nevis, St. Lucia, St. Maarten, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago, Turks & Caicos Islands, and Venezuela.

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL)

The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) was established in 1997 under the acronym PC-R-EV. MONEYVAL is comprised of 28 permanent members; two temporary, rotating FATF members; and two active observers. The permanent members are Albania, Andorra, Armenia, Azerbaijan,

Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Hungary, Latvia, Liechtenstein, Lithuania, Macedonia, Malta, Moldova, Monaco, Montenegro, Poland, Romania, Russian Federation, San Marino, Serbia, Slovak Republic, Slovenia, and Ukraine. The active observers are the Holy See and Israel. Temporary members, designated by the FATF for a two-year membership, are currently Austria and France. The Holy See became an active observer to MONEYVAL in April 2011.

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) was established in 1999. Fifteen countries comprise its membership: Botswana, Comoros, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Uganda, Zambia, and Zimbabwe. Comoros joined ESAAMLG in 2011.

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG)

The Eurasian Group on Combating Money Laundering and Financing of Terrorism (EAG) was established in 2004, and has nine members: Belarus, China, India, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Turkmenistan and Uzbekistan.

The Financial Action Task Force on Money Laundering in South America (GAFISUD)

The Financial Action Task Force on Money Laundering in South America (GAFISUD) was formally established in 2000. The 12 GAFISUD members are: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Paraguay, Peru and Uruguay.

Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)

The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) was formally established in 1999. GIABA consists of 15 countries: Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, The Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo.

The Middle East and North Africa Financial Action Task Force (MENAFATF)

The Middle East and North Africa Financial Action Task Force (MENAFATF) was formally established in 2004. MENAFATF has 18 members: Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen.

The Organization of American States Inter-American Drug Abuse Control Commission (OAS/CICAD) Group of Experts to Control Money Laundering

The Organization of American States, through the Inter-American Drug Abuse Control Commission (CICAD/OAS) under the Secretariat for Multidimensional Security, is responsible for addressing illicit drug trafficking and related crimes, including money laundering. CICAD's training programs seek to improve and enhance the knowledge and capabilities of judges, prosecutors, public defenders, law enforcement agents, and financial intelligence unit (FIU) analysts to detect, investigate and prosecute these crimes. In 2011, CICAD continued its activities throughout Latin America and the Caribbean. The U.S. Department of State, through

its Bureau of International Narcotics and Law Enforcement Affairs (INL), provided full or partial funding for many CICAD training activities.

Expert Group

The Expert Group on the Control of Money Laundering (the Expert Group), comprised of legal and law enforcement specialists appointed by member states, met twice in 2011. It has two working groups; the first, coordinated by Costa Rica, deals with the seizure, forfeiture, and management of assets. The second, coordinated by Chile, deals with the coordination and integration of law enforcement agencies and FIUs. In accordance with the 2010–2011 work plan, the first working group set two priority topics: developing internal guidelines for requesting mutual legal assistance, and asset location, identification and recovery; and preparing a study on the latest legislative and administrative developments on seizure and forfeiture systems in the Americas. The second working group focused on: compiling open-access information sources for preliminary financial identification of suspected money launderers; and developing a strategic planning process for the Expert Group.

Seized and Forfeited Assets

Building on a two-year pilot phase in Argentina, Chile and Uruguay, CICAD's Seized and Forfeited Assets Management Program of Latin America (BIDAL, from the Spanish acronym) project shifted to a different regional focus, working with the governments of the Dominican Republic and El Salvador to implement asset recovery management programs by harmonizing and strengthening procedures for the administration of seized and forfeited assets. In August, the first national workshop took place in El Salvador.

The BIDAL project also developed reference documents, including "Best Practices Manual on the Management of Seized and Forfeited Assets" and "Asset Management Systems in Latin America," addressing the evolution of the legal concept of confiscation and asset recovery agencies in Europe, and the study of comparative law of property management systems in America. Additionally, working with the Expert Group, the BIDAL project team sponsored an amendment to Article 9 of the CICAD/OAS Model Regulations Concerning Laundering Offenses Connected to Drug Trafficking and Other Serious Offenses, with regard to the confiscation of abandoned or unclaimed property. These documents were collected in a publication that was distributed to member states.

CICAD's Anti-Money Laundering Section developed and implemented coursework on the maintenance, protection and disposition of seized and forfeited assets, which aims to improve the knowledge and technical capabilities of officials who conduct financial and capital investigations and take part in forfeiture proceedings, and management and allocation of assets of illicit origin. In the second half of 2011, CICAD held the first workshops in Argentina and Panama.

Capacity Building

The Anti-Money Laundering Section organized 13 seminars and workshops in 12 countries in 2011, training 456 judges, prosecutors, public solicitors, law enforcement officers, FIU analysts and forfeited asset administration officers, among other participants. It collaborated with the United Nations Office on Drugs and Crime (UNODC), the Financial Action Task Force on Money Laundering in South America (GAFISUD), the Ministry of Interior of the Government of Spain and the U.S. Department of State, as well as the OAS' Inter-American Committee Against Terrorism (CICTE) and the governments of CICAD member states.

CICAD also coordinated with the UNODC Legal Assistance Program for Latin America and the Caribbean, INTERPOL, and GAFISUD in setting up GAFISUD's Asset Recovery Network as an instrument for exchanging information about the identification and recovery of assets or products of transnational illicit activities.

Backed by UNODC, the Government of Spain, the Inter-American Development Bank and INL, the Anti-Money Laundering Section continued using its methodology of mock investigations and trials to prepare judges, prosecutors, public solicitors, police investigators and financial analysts to handle complicated money laundering cases. It organized events in Colombia, Dominican Republic, El Salvador, Panama, Paraguay, and Peru in 2011.

Funded by INL, among others, CICAD, CICTE and UNODC organized three regional counter-terrorism financing workshops for legislators, prosecutors, police and financial analysts in Costa Rica (participants from six countries), Colombia (five countries) and Uruguay (nine countries). CICAD, CICTE and the United Nations conducted a legislative assistance mission to the Commonwealth of Dominica, which organized a one-day training workshop on combating the financing of terrorism and technical assistance to the Government of Dominica.

Throughout 2011, CICAD and the INL Narcotics Affairs Section in Lima continued a program to strengthen the main law enforcement agencies and courts that deal with money laundering in Peru (judges, prosecutors, public solicitors, law enforcement officers, banking regulators and FIU analysts, among others). The program concentrated on developing an integrated curriculum for multiple agencies and reaching personnel posted outside the capital of Lima. The training focused on mastering the latest techniques and tools for investigating and prosecuting cases (in particular, special investigative techniques, incriminating evidence, and financial links and relationships analysis).

United Nations Global Programme against Money Laundering, Proceeds of Crime, and the Financing of Terrorism (GPML)

The United Nations Global Programme against Money Laundering, Proceeds of Crime and the Financing of Terrorism (GPML), part of the United Nations Office on Drugs and Crime (UNODC), was established to assist member states to comply with the UN Conventions and other instruments that deal with money laundering and terrorist financing. Since 2001, GPML's technical assistance work on counter-terrorist financing (CFT) has also been a priority. GPML now incorporates a focus on CFT in all its technical assistance work. In 2011, GPML provided long-term assistance in the development of viable anti-money laundering/counter-terrorist financing (AML/CFT) programs to 30 countries. GPML also delivered 39 training events worldwide and two international conferences, in partnership with other agencies and organizations where possible. GPML trained 1,362 representatives of law enforcement agencies, financial intelligence units (FIUs), judicial authorities and reporting entities.

The Mentoring Program

GPML's mentoring program is one of the most successful and well-known activities of international AML/CFT technical assistance and training. By giving in-depth support upon request, the mentors have gained the confidence of the recipient institutions. In many countries, GPML mentors are the only locally placed AML/CFT experts, hence they are heavily relied

upon by local offices of donor countries and organizations for advice in the creation and delivery of other donor AML/CFT projects. During 2011, GPML employed four mentors, two of which are shared with the World Bank. GPML mentors stationed in Central Asia, Hanoi, Namibia, and West Africa worked extensively on the development and implementation of a wide variety of AML/CFT programs and procedures in individual countries and surrounding regions.

GPML Initiatives

Illicit Financial Flows: The tracking of illicit financial flows linked to piracy was a high priority for 2011, with the focus on Somalia and the Horn of Africa. GPML organized an international conference in Nairobi, Kenya to increase regional and international cooperation on combating financial flows from piracy. A second conference in Djibouti focused on improving cooperation between law enforcement agencies and alternative money remitters, i.e., hawala and mobile financial services providers.

Asset Recovery: UNODC and the World Bank lead the Stolen Asset Recovery (StAR) Initiative aimed at assisting developing countries to recover stolen assets that have been sent abroad by corrupt leaders. GPML also continued its partnership with the StAR initiative and Europol's Camden Asset Recovery Inter-agency Network (CARIN), and furthered its assistance to the operational development of other professional asset forfeiture networks, namely the ARINSA in Southern Africa and the Red de la Recuperación de Activos de GAFISUD (RRAG) in South America.

Other GPML Tools and Services

Financial Intelligence Unit Analyst Course: The course focuses on analysis of suspicious transactions related to possible money laundering and terrorist financing; and addresses relationships between the FIU and agencies responsible for investigation of money laundering and terrorist financing. In 2011, the training was delivered in Rwanda, Ethiopia, and the Maghreb region for Mauritania, Morocco, Tunisia and Algeria.

Financial Investigation Course: This course has a practical focus and is designed upon legal and procedural processes in the country of training. It gives participants the opportunity to learn the legislative aspects of financial crime, understand their powers, conduct searches and undertake interviews. The training was delivered in Vietnam, Cambodia, Laos, and Rwanda in 2011.

Countering Cash Couriers: GPML's cash courier training provides an opportunity for border control, police and FIU staff to develop their knowledge and skills in the mechanisms for monitoring cross-border transportation of cash and bearer negotiable instruments as well as the identification and interdiction of cash couriers. The course was developed and piloted in 2011, jointly by GPML and the World Customs Organization, in Indonesia and the Philippines. In addition, GPML assists national border control agencies in the development of an operations manual to serve as a resource guide for border control officers.

Development of AML/CFT Experts/Trainers: This program, which can be customized for national law enforcement training institutions, involves the design and development of AML/CFT training modules and the development of national AML/CFT subject matter experts through a series of train-the-trainer and technical workshops. In 2011 GPML conducted workshops in Bangladesh and Morocco.

Prosecutor Placement Program: This is a sustainable capacity building program designed to give newly-appointed confiscation prosecutors a practical understanding of asset seizure and forfeiture practices by placing them in the office of an experienced and capable confiscation legal team. The Program operates in Southern Africa in conjunction with the South African National Prosecution Authority's Asset Forfeiture Unit.

AML/CFT Advisory Services and Model Legislation: GPML has developed a model law for civil law legal systems in collaboration with UNODC's Legal Advisory Program and the International Monetary Fund (IMF), and for common law legal systems, jointly with the Commonwealth Secretariat and the IMF, to assist countries in setting up their AML/CFT legislation. GPML provides legal advisory services to member states requesting assistance in modifying their domestic legislation.

Training Leveraging AML systems to Combat Trafficking in Persons and Smuggling of Migrants: The training for police, FIU staff, prosecutors, and specialists in investigation and victim counseling covers various aspects of financial investigation which can be used to identify and investigate organized crime groups involved in human trafficking and migrant smuggling. This training was piloted in Yemen.

Computer Based Training: GPML has produced and disseminated 13 computer-based training modules on AML-related topics aimed at law enforcement personnel and other key officials involved in combating money laundering. These particular modules provide an overview of AML issues and a basic understanding of the methods and practical measures required to address them. Since 2003 over 50,000 people have been trained in 20 countries.

Information Technology Solutions for AML/CFT

goAML: The program is an analytical and integrated database and intelligence analysis system for operational deployment in FIUs to assist them in managing their activities, particularly data collection, analysis, and dissemination. Version one of goAML has been installed in a range of countries, to include Namibia, Kosovo, Palestine, Nigeria, Tanzania, Bermuda, Denmark, Netherlands, Morocco and South Africa.

IMoLIN/AMLID: GPML has developed and continues to maintain the International Money laundering Information Network (<http://www.imolin.org>) on behalf of a partnership of eleven international organizations. IMoLIN provides a wide range of tools and key AML/CFT-related information for professionals, including the Anti-Money laundering International Database (AMLID), a compendium and analysis of AML/CFT legislation and regulations.

The Egmont Group of Financial Intelligence Units

The Egmont Group began in 1995 as a small group of national entities—today referred to as financial intelligence units (FIUs)—seeking to explore ways to cooperate internationally among themselves. The goal of the Egmont Group is to provide a forum for FIUs around the world to improve support to their respective governments in the fight against money laundering, terrorist financing, and other financial crimes. This support includes expanding and systematizing the exchange of financial intelligence, improving expertise and capabilities of personnel employed by such organizations, and fostering better and more secure communication among FIUs through the application of technology.

To meet the standards of Egmont membership, an FIU must be a centralized unit within a nation or jurisdiction established to detect criminal financial activity and ensure adherence to laws against financial crimes, including terrorist financing and money laundering. Today the FIU concept is an important component of the international community's approach to combating money laundering and terrorist financing. The Egmont Group has grown dramatically from 14 units in 1995 to a recognized membership of 127 FIUs in 2011. The FIUs of Azerbaijan, Kazakhstan, Mali, Morocco, Samoa, Solomon Islands, and Uzbekistan joined the Egmont Group during the most recent annual plenary, held in July 2011.

The Egmont Group is organizationally structured to meet the challenges of the large membership and its workload. The Egmont Committee is an intermediary group between the 127 heads of member FIUs and the Egmont working groups. This Committee addresses the administrative and operational issues facing the Egmont Group. In addition to the Committee, there are five working groups: legal, operational, training, information technology, and outreach. The Egmont Group's secure Internet system permits members to communicate with one another via secure e-mail, requesting and sharing case information as well as posting and assessing information on typologies, analytical tools and technological developments.

As of 2011, the 127 members of the Egmont Group are the FIUs of Afghanistan, Albania, Andorra, Anguilla, Antigua and Barbuda, Argentina, Armenia, Aruba, Australia, Austria, Azerbaijan, Bahamas, Bahrain, Barbados, Belarus, Belgium, Belize, Bermuda, Bosnia and Herzegovina, Brazil, British Virgin Islands, Bulgaria, Cameroon, Canada, Cayman Islands, Chile, Colombia, Cook Islands, Costa Rica, Cote d'Ivoire, Croatia, Curacao, Cyprus, Czech Republic, Denmark, Dominica, Egypt, El Salvador, Estonia, Fiji, Finland, France, Georgia, Germany, Gibraltar, Greece, Grenada, Guatemala, Guernsey, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Isle of Man, Israel, Italy, Japan, Jersey, Kazakhstan, Kyrgyz Republic, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macao, Macedonia, Malawi, Malaysia, Mali, Malta, Marshall Islands, Mauritius, Mexico, Moldova, Monaco, Mongolia, Montenegro, Morocco, Netherlands, New Zealand, Nigeria, Niue, Norway, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Samoa, San Marino, Saudi Arabia, Senegal, Serbia, Singapore, Slovakia, Slovenia, Solomon Islands, South Africa, South Korea, Spain, Sri Lanka, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Sweden, Switzerland, Syria, Taiwan, Thailand, Turkey, Turks and Caicos, Ukraine, United Arab Emirates, United Kingdom, United States, Uruguay, Uzbekistan, Vanuatu, and Venezuela.

Major Money Laundering Countries

Every year, U.S. officials from agencies with anti-money laundering responsibilities meet to assess the money laundering situations in 200 jurisdictions. The review includes an assessment of the significance of financial transactions in the country's financial institutions involving proceeds of serious crime, steps taken or not taken to address financial crime and money laundering, each jurisdiction's vulnerability to money laundering, the conformance of its laws and policies to international standards, the effectiveness with which the government has acted, and the government's political will to take needed actions.

The 2012 INCSR identifies money laundering priority jurisdictions and countries using a classification system that consists of three different categories: Jurisdictions of Primary Concern, Jurisdictions of Concern, and Other Jurisdictions Monitored.

"Jurisdictions of Primary Concern" are those that are identified, pursuant to INCSR reporting requirements, as "major money laundering countries." A major money laundering country is defined by statute as one "whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking." However, the complex nature of money laundering transactions today makes it difficult in many cases to distinguish the proceeds of narcotics trafficking from the proceeds of other serious crime. Moreover, financial institutions engaged in transactions that involve significant amounts of proceeds from other serious crimes are vulnerable to narcotics-related money laundering. The category "Jurisdiction of Primary Concern" recognizes this relationship by including all countries and other jurisdictions whose financial institutions engage in transactions involving significant amounts of proceeds from all serious crimes or are particularly vulnerable to such activity because of weak or nonexistent supervisory or enforcement regimes or weak political will. Thus, the focus in considering whether a country or jurisdiction should be included in this category is on the significance of the amount of proceeds laundered, not of the anti-money laundering measures taken. This is a different approach taken than that of the Financial Action Task Force's International Cooperation Review Group (ICRG) exercise, which focuses on a jurisdiction's compliance with stated criteria regarding its legal and regulatory framework, international cooperation, and resource allocations. A government (e.g., the United States or the United Kingdom) can have comprehensive anti-money laundering laws on its books and conduct aggressive anti-money laundering enforcement efforts but still be classified a "Primary Concern" jurisdiction. In some cases, this classification may simply or largely be a function of the size of the jurisdiction's economy. In such jurisdictions, quick, continuous and effective anti-money laundering efforts by the government are critical.

All other countries and jurisdictions evaluated in the INCSR are separated into the two remaining groups, "Jurisdictions of Concern" and "Other Jurisdictions Monitored," on the basis of several factors that may include: (1) whether the country's financial institutions engage in transactions involving significant amounts of proceeds from serious crimes; (2) the extent to which the jurisdiction is or remains vulnerable to money laundering, notwithstanding its money laundering countermeasures, if any (an illustrative list of factors that may indicate vulnerability is provided below); (3) the nature and extent of the money laundering situation in each jurisdiction (e.g., whether it involves drugs or other contraband); (4) the ways in which the U.S. Government (USG) regards the situation as having international ramifications; (5) the situation's impact on U.S. interests; (6) whether the jurisdiction has taken appropriate legislative actions to address

specific problems; (7) whether there is a lack of licensing and oversight of offshore financial centers and businesses; (8) whether the jurisdiction's laws are being effectively implemented; and (9) where U.S. interests are involved, the degree of cooperation between the foreign government and the USG. Additionally, given concerns about the increasing interrelationship between inadequate money laundering legislation and terrorist financing, terrorist financing is an additional factor considered in making a determination as to whether a country should be considered a "Jurisdiction of Concern" or an "Other Jurisdiction Monitored." While the actual money laundering problem in jurisdictions classified as "Jurisdictions of Concern" is not as acute as in those considered to be of "Primary Concern," they too must undertake efforts to develop or enhance their anti-money laundering regimes. Finally, while jurisdictions in the "Other Jurisdictions Monitored" category do not pose an immediate concern, it is nevertheless important to monitor their money laundering situations because, under certain circumstances, virtually any jurisdiction of any size can develop into a significant money laundering center.

Vulnerability Factors

The current ability of money launderers to penetrate virtually any financial system makes every jurisdiction a potential money laundering center. There is no precise measure of vulnerability for any financial system, and not every vulnerable financial system will, in fact, be host to large volumes of laundered proceeds. A checklist of factors that contribute to making a country or jurisdiction particularly vulnerable to money laundering or other illicit financial activity, however, provides a basic guide. The checklist includes:

- Failure to criminalize money laundering for all serious crimes or limiting the offense to narrow predicates.
- Rigid bank secrecy rules that obstruct law enforcement investigations or that prohibit or inhibit large value and/or suspicious or unusual transaction reporting by both banks and nonbank financial institutions.
- Lack of or inadequate "know your customer" requirements to open accounts or conduct financial transactions, including the permitted use of anonymous, nominee, numbered or trustee accounts.
- No requirement to disclose the beneficial owner of an account or the true beneficiary of a transaction.
- Lack of effective monitoring of cross-border currency movements.
- No reporting requirements for large cash transactions.
- No requirement to maintain financial records over a specific period of time.
- No mandatory requirement to report suspicious transactions or a pattern of inconsistent reporting under a voluntary system and a lack of uniform guidelines for identifying suspicious transactions.
- Use of bearer monetary instruments.
- Well-established non-bank financial systems, especially where regulation, supervision, and monitoring are absent or lax.
- Patterns of evasion of exchange controls by legitimate businesses.
- Ease of incorporation, in particular where ownership can be held through nominees or bearer shares, or where off-the-shelf corporations can be acquired.
- No central reporting unit for receiving, analyzing, and disseminating to the competent authorities information on large value, suspicious or unusual financial transactions that might identify possible money laundering activity.

- Lack of or weak bank regulatory controls, or failure to adopt or adhere to Basel Committee’s “Core Principles for Effective Banking Supervision,” especially in jurisdictions where the monetary or bank supervisory authority is understaffed, under-skilled or uncommitted.
- Well-established offshore financial centers or tax-haven banking systems, especially jurisdictions where such banks and accounts can be readily established with minimal background investigations.
- Extensive foreign banking operations, especially where there is significant wire transfer activity or multiple branches of foreign banks, or limited audit authority over foreign-owned banks or institutions.
- Jurisdictions where charitable organizations or alternative remittance systems, because of their unregulated and unsupervised nature, are used as avenues for money laundering or terrorist financing.
- Limited asset seizure or confiscation authority.
- Limited narcotics, money laundering, and financial crime enforcement, and lack of trained investigators or regulators.
- Jurisdictions with free trade zones where there is little government presence or other supervisory authority.
- Patterns of official corruption or a laissez-faire attitude toward business and banking communities.
- Jurisdictions where the U.S. dollar is readily accepted, especially jurisdictions where banks and other financial institutions allow dollar deposits.
- Well-established access to international bullion trading centers in New York, Istanbul, Zurich, Dubai, and Mumbai.
- Jurisdictions where there is significant trade in or export of gold, diamonds, and other gems.
- Jurisdictions with large parallel or black market economies.
- Limited or no ability to share financial information with foreign law enforcement authorities.

Changes in INCSR Priorities for 2012

Jurisdictions moving from the “Jurisdiction of Concern” column to the “Primary Concern” column: Argentina, Curacao and St. Maarten

Jurisdictions moving from the “Other Jurisdictions Monitored” column to the “Jurisdiction of Concern” column: Djibouti, Marshall Islands and Mongolia

New jurisdiction in “Jurisdiction of Concern” column (first time in report): Holy See

Jurisdictions moving from the “Jurisdiction of Concern” column to the “Other Jurisdictions Monitored” column: Palau and Samoa

New jurisdiction in “Other Jurisdictions Monitored” column (first time in report): South Sudan

In the Country/Jurisdiction Table on the following page, “major money laundering countries” that are in the “Jurisdictions of Primary Concern” category are identified for purposes of INCSR statutory reporting requirements. Identification as a “major money laundering country” is based on whether the country or jurisdiction’s financial institutions engage in transactions involving significant amounts of proceeds from serious crime. It is not based on an assessment of the country or jurisdiction’s legal framework to combat money laundering; its role in the terrorist

financing problem; or the degree of its cooperation in the international fight against money laundering, including terrorist financing. These factors, however, are included among the vulnerability factors when deciding whether to place a country or jurisdiction in the “Jurisdictions of Concern” or “Other Jurisdictions Monitored” category.

Note: Country reports are provided for only those countries and jurisdictions listed in the “Primary Jurisdictions of Concern” category.

Countries and Jurisdictions Table

Countries/Jurisdictions of Primary Concern		Countries/Jurisdictions of Concern		Other Countries/Jurisdictions Monitored	
Afghanistan	Latvia	Albania	Marshall Islands	Andorra	Maldives
Antigua and Barbuda	Lebanon	Algeria	Moldova	Anguilla	Mali
Argentina	Liechtenstein	Angola	Monaco	Armenia	Malta
Australia	Luxembourg	Aruba	Mongolia	Benin	Mauritania
Austria	Macau	Azerbaijan	Montenegro	Bermuda	Mauritius
Bahamas	Mexico	Bahrain	Morocco	Botswana	Micronesia FS
Belize	Netherlands	Bangladesh	Nicaragua	Brunei	Montserrat
Bolivia	Nigeria	Barbados	Peru	Burkina Faso	Mozambique
Brazil	Pakistan	Belarus	Poland	Burundi	Namibia
British Virgin Islands	Panama	Belgium	Portugal	Cameroon	Nauru
Burma	Paraguay	Bosnia and Herzegovina	Qatar	Cape Verde	Nepal
Cambodia	Philippines	Bulgaria	Romania	Central African Republic	New Zealand
Canada	Russia	Chile	Saudi Arabia	Chad	Niger
Cayman Islands	Singapore	Comoros	Senegal	Congo, Dem Rep of	Niue
China, People Rep	Somalia	Cook Islands	Serbia	Congo, Rep of	Norway
Colombia	Spain	Cote d'Ivoire	Seychelles	Croatia	Oman
Costa Rica	St. Maarten	Czech Republic	Sierra Leone	Cuba	Palau
Curacao	Switzerland	Djibouti	Slovakia	Denmark	Papua New Guinea
Cyprus	Taiwan	Ecuador	South Africa	Dominica	Rwanda
Dominican Republic	Thailand	Egypt	St. Kitts and Nevis	Equatorial Guinea	Samoa
France	Turkey	El Salvador	St. Lucia	Eritrea	San Marino
Germany	Ukraine	Ghana	St. Vincent	Estonia	Sao Tome & Principe
Greece	United Arab Emirates	Gibraltar	Suriname	Ethiopia	Slovenia
Guatemala	United Kingdom	Grenada	Syria	Fiji	Solomon Islands
Guernsey	United States	Guyana	Tanzania	Finland	South Sudan
Guinea Bissau	Uruguay	Holy See	Trinidad and Tobago	Gabon	Sri Lanka
Haiti	Venezuela	Honduras	Turks and Caicos	Gambia	Sudan
Hong Kong	Zimbabwe	Hungary	Vanuatu	Georgia	Swaziland
India		Ireland	Vietnam	Guinea	Sweden
Indonesia		Jamaica	Yemen	Iceland	Tajikistan
Iran		Jordan		Kyrgyz Republic	Timor-Leste
Iraq		Kazakhstan		Lesotho	Togo
Isle of Man		Korea, North		Liberia	Tonga
Israel		Korea, South		Libya	Tunisia
Italy		Kosovo		Lithuania	Turkmenistan
Japan		Kuwait		Macedonia	Uganda
Jersey		Laos		Madagascar	Uzbekistan
Kenya		Malaysia		Malawi	Zambia

Comparative Table Key

The comparative table that follows the Glossary of Terms below identifies the broad range of actions, effective as of December 31, 2011, that jurisdictions have, or have not, taken to combat money laundering. This reference table provides a comparison of elements that include legislative activity and other identifying characteristics that can have a relationship to a jurisdiction's money laundering vulnerability. With the exception of number 5, all items should be answered "Y" (yes) or "N" (no). All answers indicating deficiencies within the country's/jurisdiction's AML/CFT regime should be explained in item 8 of the template ("Enforcement and Implementation Issues and Comments").

Glossary of Terms

- "Criminalized Drug Money Laundering": The jurisdiction has enacted laws criminalizing the offense of money laundering related to the drug trade.
- "Criminalized Beyond Drugs": The jurisdiction has enacted laws criminalizing the offense of money laundering related to crimes other than the drug trade.
- "Know Your Customer Provisions": By law or regulation, the government requires banks and/or other covered entities to adopt and implement Know Your Customer/Customer Due Diligence programs for their customers or clientele.
- "Report Large Transactions": By law or regulation, banks and/or other covered entities are required to report large transactions in currency or other monetary instruments to designated authorities.
- "Report Suspicious Transactions": By law or regulation, banks and/or other covered entities are required to report suspicious or unusual transactions to designated authorities. On the Comparative Table the letter "Y" signifies mandatory reporting; "P" signifies reporting is not required but rather is permissible or optional; "N" signifies no reporting regime.
- "Maintain Records over Time": By law or regulation, banks and/or other covered entities are required to keep records, especially of large or unusual transactions, for a specified period of time, e.g., five years.
- "Disclosure Protection - 'Safe Harbor'": By law, the jurisdiction provides a "safe harbor" defense against civil and criminal liability to banks and/or other covered entities and their employees who provide otherwise confidential banking data to authorities in pursuit of authorized investigations.
- "Criminalize 'Tipping Off'": By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.
- "Financial Intelligence Unit": The jurisdiction has established an operative central, national agency responsible for receiving (and, as permitted, requesting), analyzing, and disseminating to the competent authorities disclosures of financial information in order to counter money laundering. An asterisk (*) reflects those jurisdictions that are not members of the Egmont Group.
- "Cross-Border Transportation of Currency": By law or regulation, the jurisdiction has established a declaration or disclosure system for persons transiting the jurisdiction's borders, either inbound or outbound, and carrying currency or monetary instruments above a specified threshold.

- “International Law Enforcement Cooperation”: Jurisdiction cooperates with authorized investigations involving or initiated by third party jurisdictions, including sharing of records or other financial data, upon request. No known legal impediments to cooperation exist in current law.
- “System for Identifying and Forfeiting Assets”: The jurisdiction has established a legally authorized system for the tracing, freezing, seizure, and forfeiture of assets identified as relating to or generated by money laundering activities.
- “Arrangements for Asset Sharing”: By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.
- “Criminalized the Financing of Terrorism”: The jurisdiction has criminalized the provision of material support to terrorists, terrorist activities, and/or terrorist organizations as required by the UN International Convention for the Suppression of the Financing of Terrorism and UN Security Council Resolution 1373.
- “Report Suspected Terrorist Financing”: By law or regulation, banks and/or other covered entities are required to record and report transactions suspected to relate to the financing of terrorists, terrorist groups or terrorist activities to designated authorities.
- “Ability to Freeze Terrorist Assets w/o Delay”: The government has an independent national system and mechanism for freezing terrorist assets in a timely manner (including but not limited to bank accounts, other financial assets, airplanes, autos, residences, and/or other property belonging to terrorists or terrorist organizations).
- “States Party to 1988 UN Drug Convention”: States party to the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- “States Party to the UN International Convention for the Suppression of the Financing of Terrorism”: States party to the International Convention for the Suppression of the Financing of Terrorism, or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- “States Party to the UN Convention against Transnational Organized Crime”: States party to the United Nations Convention against Transnational Organized Crime (UNTOC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- “States Party to the UN Convention against Corruption”: States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.
- “US or International Sanctions/Penalties”: The US, another jurisdiction and/or an international organization, e.g., the UN or FATF, has imposed sanctions or penalties against the jurisdiction. A country’s inclusion in the FATF’s International Cooperation Review Group exercise is not considered a sanction or penalty unless the FATF recommended counter-measures against the country/jurisdiction.

Comparative Table

“Y” is meant to indicate that appropriate legislation has been enacted to address the captioned items. It does not imply full compliance with international standards. Please see the individual country reports for information on any deficiencies in the adopted laws/regulations.

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - “Safe Harbor”	Criminalize “Tipping Off”	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Country/ Jurisdiction																					
Afghanistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Albania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Algeria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Andorra	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Angola	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	N	N	N	N	N	N	Y	Y	Y	Y	N
Anguilla²	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Antigua and Barbuda	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Argentina	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	Y	N	N	Y	Y	Y	Y	N
Armenia	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Aruba³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Austria	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Australia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Azerbaijan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bahamas	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

² The UK extended its application of the 1988 UN Drug Convention to Anguilla, Bermuda, British Virgin Islands, Cayman Islands, Gibraltar, Guernsey, Isle Of Man, Jersey, Montserrat, and Turks and Caicos. The International Convention For The Suppression of Terrorism Financing has been extended to Guernsey, Isle Of Man, and Jersey. The UNCAC has been extended to British Virgin Islands, Guernsey, Isle Of Man, and Jersey. The UNTOC has been extended to Gibraltar.

³ The Netherlands extended its application of the 1988 UN Drug Convention and the International Convention for the Suppression of Terrorism Financing to Aruba and Curacao. The UNTOC has been extended to Aruba.

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Country/ Jurisdiction																					
Bahrain	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Bangladesh	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N
Barbados	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Belarus	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Belgium	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Belize	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Benin	Y	Y	N	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N
Bermuda²	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Bolivia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Bosnia & Herzegovina	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Botswana	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	Y	N
Brazil	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N
British Virgin Islands²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N
Brunei	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	Y	Y	Y	Y	Y	N
Bulgaria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Burkina Faso	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Burma	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	N	Y
Burundi	Y	Y	Y	Y	Y	Y	N	N	N	Y*	Y	Y	N	Y	Y	N	Y	N	N	Y	N
Cambodia	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Cameroon	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Canada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Cape Verde	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	Y	N
Cayman Islands²	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Country/ Jurisdiction																					
Central African Rep.	Y	Y	Y	N	Y	Y	Y	Y	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Chad	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	N	N
Chile	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
China	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	N	N	N	Y	Y	N	Y	Y	Y	Y	N
Colombia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Comoros	Y	Y	N	N	N	N	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	N	N
Congo, Dem Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Congo, Rep. of	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	N	Y	Y	Y	Y	N	Y	N
Cook Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Costa Rica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cote d'Ivoire	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Croatia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Cuba	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Curacao³	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Cyprus⁴	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Czech Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
Denmark	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Djibouti	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Dominica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N

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⁴ Area administered by Turkish Cypriots	Y	Y	Y	Y	Y	Y	N	N	Y	Y	N	Y	N	Y	Y	Y	N/A	N/A	N/A	N/A	N
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Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Country/ Jurisdiction																					
Dominican Republic	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ecuador	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Egypt	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
El Salvador	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N
Equatorial Guinea	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	Y	N	Y	Y	Y	N	Y	Y	N	N
Eritrea	N	N	N	Y	Y	Y	N	N	Y	Y*	N	N	N	N	N	N	Y	N	N	N	Y
Estonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Ethiopia	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
Fiji	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	N
Finland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
France	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Gabon	Y	Y	Y	Y	Y	Y	N	N	N	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Gambia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N	Y	N	N
Georgia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Germany	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Ghana	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	N	Y	Y	N	Y	N
Gibraltar²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	N
Greece	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Grenada	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	N	N
Guatemala	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Guernsey²	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Guinea	Y	N	N	N	N	N	N	N	Y	N	N	N	N	N	N	N	Y	Y	Y	N	N
Guinea-Bissau	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	Y	Y	Y	N	Y	Y	Y	N	N	Y

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - “Safe Harbor”	Criminalize “Tipping Off”	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Country/ Jurisdiction																					
Guyana	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Haiti	Y	Y	Y	Y	Y	Y	Y	Y	N	Y*	Y	Y	Y	N	N	N	Y	Y	Y	Y	N
Holy See	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	N	N	N	N	N
Honduras	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hong Kong ⁵	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Hungary	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Iceland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
India	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Indonesia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Iran	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	N	N	Y	Y
Iraq	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N
Ireland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Isle of Man ²	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Israel	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Italy	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Jamaica	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Japan	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	N	N
Jersey ²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N
Jordan	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Kazakhstan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Kenya	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	N	Y	Y	Y	Y	N

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The People's Republic of China extended the 1988 UN Drug Convention, the International Convention for the Suppression of Terrorism Financing, the UNTOC and the UNCAC to the Special Administrative Regions of Hong Kong and Macau.

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Country/ Jurisdiction																					
Kosovo	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	N	N	N	N
Kuwait	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	N	N	N	Y	N	Y	Y	N
Kyrgyz Republic	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Laos	Y	Y	Y	N	Y	Y	N	N	Y	Y*	Y	N	N	N	N	N	Y	Y	Y	Y	N
Latvia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lebanon	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N
Lesotho	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Liberia	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N	N	Y	Y	Y	Y	N
Libya	Y	Y	Y	N	Y	Y	N	N	N	Y*	N	N	N	N	N	N	Y	Y	Y	Y	Y
Liechtenstein	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Lithuania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Luxembourg	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macau ⁵	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Macedonia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Madagascar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	N	Y	Y	Y	Y	N
Malawi	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Malaysia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Maldives	Y	N	Y	N	Y	N	N	N	N	Y*	Y	Y	N	Y	Y	N	Y	Y	N	Y	N
Mali	Y	Y	Y	N	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Malta	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Marshall Islands	Y	Y	N	N	Y	N	N	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mauritania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Mauritius	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Country/ Jurisdiction																					
Mexico	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Micronesia, FS	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	Y	Y	Y	Y	N	N
Moldova	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Monaco	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Mongolia	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Montenegro	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Montserrat²	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Morocco	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Mozambique	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Nauru	Y	N	Y	Y	Y	Y	Y	Y	Y	Y*	N	Y	N	Y	Y	Y	N	Y	N	N	N
Nepal	Y	Y	Y	Y	Y	N	N	Y	Y	Y*	N	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Netherlands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
New Zealand	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Nicaragua	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Niger	Y	Y	Y	N	Y	Y	N	Y	Y	Y*	N	Y	N	Y	Y	N	Y	Y	Y	Y	N
Nigeria	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Niue	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	N	N	N	N	N	N	N	N	N
North Korea	Y	Y	N/ A	N/ A	N/ A	N/ A	N/ A	N/ A	N/ A	N/ A	N	N/ A	N/ A	N/ A	N/ A	N/ A	Y	N	N	N	Y
Norway	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Oman	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	N
Pakistan	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Palau	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	N	Y	N	N	N
Panama	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Country/ Jurisdiction																					
Papua New Guinea	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	N	N	N	N	N	Y	N	Y	N
Paraguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Peru	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Philippines	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	Y	N	Y	Y	Y	Y	N
Poland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Portugal	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Qatar	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Romania	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Russia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Rwanda	Y	Y	Y	Y	Y	Y	N	N	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
St. Kitts & Nevis	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
St. Lucia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	N
St. Maarten	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
St. Vincent & the Grenadines	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Samoa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	N
San Marino	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Sao Tome & Principe	Y	N	N	N	N	N	N	N	N	N	N	N	N	Y	Y	Y	Y	Y	Y	Y	N
Saudi Arabia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Senegal	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Serbia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N
Seychelles	Y	Y	N	N	Y	Y	Y	Y	N	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - "Safe Harbor"	Criminalize "Tipping Off"	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Country/ Jurisdiction																					
Sierra Leone	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	N	N	N	Y	Y	N	Y	Y
Singapore	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Slovak Republic	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Slovenia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Solomon Islands	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	N	Y	N	Y	N
Somalia	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
South Africa	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
South Korea	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N
South Sudan	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Spain	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Sri Lanka	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Sudan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Suriname	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Swaziland	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Sweden	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Switzerland	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Syria	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	N	Y	Y	Y	N	Y
Taiwan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N	N	N
Tajikistan	Y	Y	Y	Y	Y	Y	Y	N	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Tanzania	Y	Y	Y	N	Y	Y	Y	Y	N	Y*	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Thailand	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	N	Y	Y	N	Y	N
Timor-Leste	N	N	Y	N	Y	N	N	N	Y	N	N	N	N	N	N	N	N	N	Y	Y	N
Togo	Y	Y	Y	Y	Y	N	N	Y	Y	Y*	Y	Y	N	N	Y	Y	Y	Y	Y	Y	N

Actions by Governments	Criminalized Drug Money Laundering	Criminalized ML Beyond Drugs	Know-Your-Customer Provisions	Report Large Transactions	Report Suspicious Transactions (YPN)	Maintain Records Over Time	Disclosure Protection - “Safe Harbor”	Criminalize “Tipping Off”	Cross-Border Transportation of Currency	Financial Intelligence Unit (*)	Intl Law Enforcement Cooperation	System for Identifying/Forfeiting Assets	Arrangements for Asset Sharing	Criminalized Financing of Terrorism	Report Suspected Terrorist Financing	Ability to Freeze Terrorist Assets w/o Delay	States Party to 1988 UN Drug Convention	States Party to Intl. Terror Finance Conv.	States Party to UNTOC	States Party to UNCAC	US or Intl Org Sanctions/Penalties
Country/ Jurisdiction																					
Tonga	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	N	N	N
Trinidad and Tobago	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Tunisia	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Turkey	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N	Y	Y	Y	Y	N
Turkmenistan	Y	Y	Y	Y	Y	Y	N	Y	Y	Y*	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Turks & Caicos ²	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N	N	N
Uganda	N	N	Y	Y	Y	Y	N	N	N	N	Y	N	N	Y	Y	Y	Y	Y	Y	Y	N
Ukraine	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	N
UAE	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
United Kingdom	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N
Uruguay	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Uzbekistan	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Vanuatu	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Venezuela	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y	N	Y	Y	Y	Y	N
Vietnam	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	N	N	N	Y	N	N	Y	Y	N	Y	N
Yemen	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y*	Y	N	N	Y	Y	N	Y	Y	Y	Y	N
Zambia	Y	Y	N	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	N
Zimbabwe	Y	Y	Y	N	Y	Y	Y	Y	Y	Y*	Y	Y	Y	Y	Y	Y	Y	N	Y	Y	Y

INCSR Volume II Template Key

1. INTRODUCTORY PARAGRAPH

This section provides a historical and economic picture of the country or jurisdiction, particularly relating to the country's vulnerabilities to money laundering/terrorist financing (ML/TF). Information on the extent of organized criminal activity, corruption, drug-related money laundering, financial crimes, smuggling, black market activity and terrorist financing should be included.

This section should also include a brief summary of the scope of any offshore sector, free trade zones, the informal financial sector, alternative remittance systems or other prevalent area of concern or vulnerability. Discussion of deficiencies in any of these areas should be further discussed in item 8, below.

For countries which submitted reports for the Country Reports on Terrorism, the following paragraph should be included:

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

2. DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: (Y/N)

This question addresses whether the jurisdiction's financial institutions engage in currency transactions involving international narcotics trafficking proceeds that include significant amounts of U.S. currency or currency derived from illegal drug sales in the United States or that otherwise significantly affect the United States.

3. CRIMINALIZATION OF MONEY LAUNDERING:

All serious crimes approach or list approach to predicate crimes:

Legal persons covered: criminally: (Y/N) civilly: (Y/N)

In general, two methods of designating money laundering predicate crimes are in use. The response to this question indicates which method of designation the country uses - does the country list specific crimes as predicate crimes for money laundering in its penal code? Conversely, does it use an "all serious crimes" approach, stating that all crimes with penalties over a specified amount or that carry a threshold minimum sentence are money laundering predicate crimes?

Are legal persons, that is, corporations, partnerships, or any legal entity, liable for money laundering/terrorist financing activity by law? Are they subject to criminal penalties, such as fines? Are they subject to civil or administrative penalties, such as civil money penalties, or suspension or loss of license?

4. KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* (Y/N) *Domestic:* (Y/N)

KYC covered entities: A list of the types of financial institutions and designated non-financial businesses and professions covered by KYC rules

Customer due diligence (CDD) or know your customer (KYC) programs should apply not only to banks or financial institutions but also to designated non-financial businesses and professions (DNFBPs). Covered institutions should be required to know, record, and report the identity of customers engaging in significant transactions. Entities such as securities and insurance brokers, money exchanges or remitters, financial management firms, gaming establishments, lawyers, real estate brokers, high-value goods dealers and accountants, among others, should all be covered by such programs.

Countries should be using a risk-based approach to CDD or KYC. Using that approach, types of accounts or customers may be considered either less or more risky and be subject to varying degrees of due diligence. Politically exposed persons (PEPs) should be considered high risk and should be subject to enhanced due diligence and monitoring. PEPs are those individuals who are entrusted with prominent public functions in a country, for example, heads of state; senior politicians; senior government, judicial or military officials; senior executives of state-owned corporations; important political party officials. Does the country apply enhanced due diligence procedures to foreign and/or domestic PEPs?

5. SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame:

Number of CTRs received and time frame:

STR covered entities: A list of the types of financial institutions and designated non-financial businesses and professions covered by reporting rules

Suspicious transaction reporting requirements should apply not only to banks or financial institutions but also to DNFBPs. Entities such as securities and insurance brokers, money exchanges or remitters, financial management firms, gaming establishments, lawyers, real estate brokers, high-value goods dealers and accountants, among others, should all be covered by such programs.

If available, the report will include the number of suspicious transaction reports (STRs) received by the designated government body and the time frame during which they were received. The most recent information available, preferably the activity in 2011, will be included.

Similarly, if the country has a large currency transaction reporting requirement, whereby all currency transactions over a threshold amount are reported to a designated government body, the report will include the number of currency transaction reports (CTRs) received by the designated government body and the time frame during which they were received. The most recent information available, preferably the activity in 2011, will be included. The report should not include information on CTRs not required to be forwarded to a designated government body but held in institutions for government review.

6. MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: (Number and time frame)

Convictions: (Number and time frame)

If available, the report will include the numbers of prosecutions and convictions and the relevant time frames. The most recent information available, preferably the activity in 2011, will be included.

7. RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** (Y/N) **Other mechanism:** (Y/N)

With other governments/jurisdictions: (Y/N)

Does the country/jurisdiction have in place treaties, a mutual legal assistance agreement (MLAT), memoranda of understanding or other agreements to share information related to financial crimes, money laundering, and terrorist financing with the United States? With other governments?

The report will indicate if the country/jurisdiction is a member of the Financial Action Task Force (FATF) or a FATF-style regional body. A link to the website with its most recent mutual evaluation will be shown.

8. ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Information in this section should include: changes in policy, law, and implementation of regulations occurring since January 1, 2011, and any issues or deficiencies noted in the country/jurisdiction's AML/CFT program. These may include the following: resource issues, legislative deficiencies, and/or implementation deficiencies; information on any U.S. or international sanctions against the country/jurisdiction; whether the country has cooperated on important cases with USG agencies or has refused to cooperate with foreign governments, as well as any actions taken by the USG or any international organization to address such obstacles, including the imposition of sanctions or penalties; any known issues with or abuse of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors, or situations; any other information which impacts on the country's/jurisdiction's ability to successfully implement a comprehensive AML/CFT regime or provides information on successful, innovative policies or procedures.

Countries/Jurisdictions of Primary Concern

Afghanistan

Afghanistan is not a regional or offshore center. Terrorist and insurgent financing, money laundering, cash smuggling, abuse of informal value transfer systems, and other illicit activities designed to finance organized criminal activity continue to pose serious threats to the security and development of Afghanistan. Afghanistan remains a major drug trafficking and drug producing country, and is the world's largest opium producer and exporter.

The growth in Afghanistan's banking sector has slowed considerably in recent years; and traditional payment systems, particularly hawala networks, remain significant in their reach and scale. The weaknesses of the banking sector, as demonstrated by the Kabul Bank crisis, further incentivize the use of informal mechanisms and exacerbate the difficulty of developing a transparent formal financial sector in Afghanistan. The narcotics trade, corruption and contract fraud are major sources of illicit revenue and laundered funds. The unlicensed and unregulated hawalas in major drug areas such as Helmand likely account for a substantial portion of the illicit proceeds being moved in the financial system, undetected by authorities. There are estimates that hawaladars in Kandahar, the country's second largest city, and the opium producing province of Helmand handle \$1 billion in drug money per year. Despite ongoing efforts by the international community to build Afghanistan's capacity to regulate its financial sector and the capacity of law enforcement to investigate financial crimes, it is unable to consistently uncover and disrupt financial crimes because of limited resources, lack of expertise, corruption, and insufficient political will. Proposed reforms and efforts to urge law enforcement and the judiciary to take action on financial crimes often conflict with established, traditional processes, which can delay compliance with international standards.

Corruption permeates all levels of Afghan government and society and has a direct impact on the willingness of authorities to investigate financial crimes. Afghanistan ranked 180 out of 182 countries surveyed in Transparency International's 2011 Corruption Perception Index. Afghanistan's laws related to terrorist financing are not in line with international standards and do not criminalize the full scope of the terrorist financing offense.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Central Bank of Afghanistan (DAB), banks, registered money service providers, insurance companies, dealers in precious metals and stones, lawyers, accountants, securities dealers, and real estate agents

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 417 from January to October 2011

Number of CTRs received and time frame: 1,744,169, from June 2006 to October 2010

STR covered entities: Financial institutions and money service businesses including informal funds transfer providers such as hawaladars

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Afghanistan is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.apgml.org/documents/docs/17/Afghanistan%20-%20published%20DAR.pdf>.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money laundering and terrorist financing investigations in Afghanistan are hampered by a lack of political commitment by the Government of Afghanistan (GOA), and the limited capacity of the regulatory regime and criminal justice system.

Less than 5% of the Afghan population uses banks, depending instead on the entrenched hawala system, which provides a range of financial and non-financial business services in local, regional, and international markets. Approximately 90% of financial transactions run through the hawala system, including foreign exchange transactions, funds transfers, micro and trade finance, as well as some deposit-taking activities. While the hawala system and formal financial sector are distinct, hawaladars often keep accounts at banks and use wire transfer services to settle their balances with other hawaladars abroad. Due to limited bank branch networks, banks occasionally use hawaladars to transmit funds to hard-to-reach areas within Afghanistan. Licensed hawaladars and other money service providers submit few STRs, which does not reflect their exposure to the risk of exploitation by money launderers and terrorist financiers. The GOA should create an outreach program to notify and educate hawaladars about the licensing and STR filing processes.

Border security continues to be a major challenge throughout Afghanistan, with only 14 official border crossings under central government control. Most border areas are under-policed or not policed at all, and are particularly susceptible to cross-border trafficking, trade-based money laundering, and bulk cash smuggling. Kabul International Airport lacks stringent inspection controls for all passengers, and includes a VIP lane that does not require subjects to undergo any inspections or controls. The GOA should strengthen inspection controls for airport passengers.

Corruption continues to be an obstacle in the Customs service, although some improvements have been made with assistance from international partners. Approximately \$1 billion a year of declared cash flows from Afghanistan into Gulf countries, with Dubai cited as the primary destination. The declared cash leaving Afghanistan, primarily from Kabul International Airport, exceeds Afghanistan's official revenue of about \$900 million.

The GOA has no formal extradition or mutual legal assistance arrangements with the United States. Requests for extradition and mutual legal assistance are processed on an ad hoc basis, with assistance from the Afghan Attorney General's Office. Newly drafted extradition-related legislation is currently pending before the upper house of the Afghan parliament.

The GOA lacks a comprehensive structure for maintaining administrative freezes on seized terrorist assets, and there is no mechanism for asset sharing. The GOA should revise its asset seizure process to ensure its ability to seize and freeze terrorist assets, maintain these asset freezes, and establish a procedure for sharing seized assets with foreign partners. The GOA should increase the capacity of enforcement officers, prosecutors, and judges to provide them a better understanding of the basis for seizing and forfeiting assets.

Antigua and Barbuda

Antigua and Barbuda is a significant offshore center that, despite recent improvements, remains susceptible to money laundering due to its offshore financial sector and Internet gaming industry. Illicit proceeds from the transshipment of narcotics and from financial crimes occurring in the U.S. also are laundered in Antigua and Barbuda.

Antigua and Barbuda uses the Eastern Caribbean (EC) dollar and its monetary authority is the Eastern Caribbean Central Bank (ECCB). Seven other island economies are also members of the ECCB: Anguilla, Dominica, Grenada, Montserrat, St Kitts and Nevis, St. Lucia, and St Vincent and the Grenadines. The existence of this common currency may raise the risk of money laundering, but there is little evidence that the EC dollar is a primary vehicle for money laundering.

As of 2011, Antigua and Barbuda has 15 international banks, two international trusts, 27 offshore insurance companies, 3,497 international business corporations (IBCs), ten interactive gaming companies, six interactive wagering companies, six money services businesses, and 22 corporate management and trust services providers. In addition, there are five casinos. Bearer shares are permitted for international companies but the names and addresses of directors (who must be natural persons), the activities the corporation intends to conduct, the names of shareholders, and the numbers of shares they will hold are required to be disclosed. Registered agents or service providers are required by law to know the names of beneficial owners. All licensed institutions are required to have a physical presence, which means presence of at least a full-time senior officer and availability of all files and records. Shell companies are not permitted. Internet gaming companies are required to incorporate as IBCs and to have a physical presence, meaning the primary servers and the key person are resident in Antigua and Barbuda.

A nominal free trade zone (FTZ) in the country seeks to attract investment in areas deemed as priority by the government. Casinos and sports book-wagering operations in Antigua and

Barbuda's FTZ are supervised by Antigua and Barbuda's Office of National Drug and Money Laundering Control Policy (ONDCP), and the Directorate of Offshore Gaming.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, agricultural credit institutions, money exchangers, accountants, notaries, gaming centers, auto dealers and securities dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 93 in 2011

Number of CTRs received and time frame: 48 in 2011

STR covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2011

Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Antigua and Barbuda is a member of Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

[http://www.cfatf-gafic.org/downloadables/mer/Antigua and Barbuda 3rd Round MER Final\(Eng\).pdf](http://www.cfatf-gafic.org/downloadables/mer/Antigua%20and%20Barbuda%203rd%20Round%20MER%20Final(Eng).pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS

The Government of Antigua and Barbuda (GOAB) has taken steps to combat money laundering and terrorist financing by passing relevant legislation that applies to both domestic and offshore financial institutions, and establishing a regulatory regime. The GOAB also should implement and enforce all provisions of its AML/CFT legislation, including the comprehensive supervision of its offshore sector and gaming industry. Continued efforts should be made to enhance the capacity of law enforcement and customs authorities to recognize money laundering typologies that fall outside the formal financial sector. Continued international cooperation, particularly with regard to the timely sharing of statistics and information related to offshore institutions, and enforcement of foreign civil asset forfeiture orders will likewise enhance Antigua and Barbuda's ability to combat money laundering.

Internet gaming companies are required to report all payouts over \$25,000 to the ONDCP. They also are required to submit quarterly and annual audited financial statements and maintain records relating to all gaming and financial transactions of each customer for six years.

In 2011, the Supervisory Authority more vigorously exercised its supervisory powers in relation to money remitters, having imposed administrative sanctions for inadequate implementation of AML/CFT due diligence measures, source of funds accountability and failure to provide statutorily required reports. The Supervisory Authority also initiated comprehensive onsite examinations of financial institutions and designated non-financial businesses and professions, including entities engaged in real property business and car dealerships.

The GOAB says it has a “poor understanding” of certain foreign cash transactions taking place within the jurisdiction that have raised their concerns. The possibility exists that they could be an indication of proceeds from human trafficking. Separately, the police have instituted criminal charges for prostitution-related human trafficking and have traced alleged proceeds to accounts held in the domestic banking sector, and also suspect repatriation of proceeds through money remitters.

Argentina

Argentine and international observers express the concern that money laundering related to narcotics trafficking, corruption, contraband, and tax evasion occurs throughout the financial system. It is also believed that most money laundering operations in Argentina are conducted through transactions involving specific offshore centers. The most common money laundering operations in the non-financial sector involve transactions made through attorneys, accountants, corporate structures, and in the real estate sector. The widespread use of cash in the economy also leaves Argentina vulnerable to money laundering. Tax evasion is the predicate crime in the majority of Argentine money laundering investigations.

Argentina has a long history of capital flight and tax evasion, and it is estimated that Argentines hold billions of dollars outside the formal financial system, both offshore and in-country, much of it legitimately earned money that was not taxed. The general vulnerabilities in the system also expose Argentina to a risk of terrorist financing. Despite these risks associated with money laundering and terrorist financing (ML/TF), there have been only two convictions for ML and only five prosecutions are ongoing.

Argentina is a source country for precursor chemicals and a transit country for cocaine produced in Bolivia, Peru, and Colombia, and for marijuana produced in Paraguay. While most of the cocaine transiting Argentina is bound for the European market, virtually all of the marijuana is for domestic or regional consumption, and domestic drug consumption and production have increased. Argentine officials also have identified smuggling, corruption and different types of fraud as major sources of illegal proceeds.

In addition to tax evasion and drugs, a substantial portion of illicit revenue comes from black market peso exchanges or informal value transfers. Informal value transfers occur when unregistered importers, for example, use entities that move U.S. currency in bulk to neighboring countries where it is deposited and wired to U.S. accounts or to offshore destinations. Products

from the U.S. are often smuggled into Argentina, or the shipping manifests are changed to disguise the importer and merchandise. The tri-border area (Argentina, Paraguay and Brazil) is considered a major source of smuggling, especially of pirated products. Through the Three Plus One Initiative, the Government of Argentina (GOA) authorities ostensibly cooperate with the two neighboring countries, as well as with the United States, to address security issues in this region; however, this mechanism has been largely ineffective in recent years due to GOA and USG political differences, among other reasons.

The Financial Action Task Force's (FATF) third-round mutual evaluation report of Argentina found Argentina partially compliant or non-compliant with 46 of the 49 FATF Recommendations. Argentina is subject to an enhanced follow-up procedure during which Argentina is expected to immediately address deficiencies relating to its criminalization of both money laundering and terrorist financing. Argentina is also publicly identified by the FATF for its strategic AML/CFT deficiencies, which Argentina has developed an action plan to address. The FATF expects Argentina to urgently address these deficiencies, and while some progress has been made, significant AML/CFT deficiencies remain.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES
KYC Covered entities: Banks, financial companies, credit unions, tax authority, customs, currency exchange houses, casinos, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, money remitters, and postal services

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 3,169 in 2010
Number of CTRs received and time frame: Not available
STR Covered entities: Banks, financial companies, credit unions, tax authority, customs, currency exchange houses, casinos, securities dealers, insurance companies, accountants, notaries public, dealers in art and antiques, jewelers, real estate registries, money remitters and postal services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Five (ongoing)
Convictions: Two - in December 2010 and June 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdiction: YES

Argentina is a member of the Financial Action Task Force (FATF) and the Financial Action Task Force against Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/3/60/46695047.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

On June 21, 2011, Argentina passed Law 26683, which amends Law 25246, to modify the criminalization of ML as well as to implement other AML/CFT measures. While the new law addresses a number of important shortcomings, particularly with respect to the criminalization of ML, a large number of other previously identified deficiencies persist. Some of the key features of the June 2011 law include: new measures criminalizing ML as a stand-alone crime; provisions for confiscation of assets without conviction for ML or TF; provisions to allow a judge to suspend an arrest warrant or the seizure of instruments or effects, or postpone the adoption of other restraining or evidentiary measures in the context of a ML/TF investigation; broadening of the predicate offenses which the FIU is authorized to handle and disseminate; removing previous tax secrecy restrictions in the framework of an STR; increasing the entities covered by preventive measures, including mutual associations, cooperatives, and the real state sector; incorporating more detailed customer due diligence (CDD) and record keeping measures; improving record-keeping measures with a requirement that all CDD data be kept for at least five years and properly recorded for reconstruction purposes; and incorporating the FIU's role (previously in Decree 1936/2010) to establish supervision, control, and on-site inspection procedures to verify compliance with the law, and guidelines and instructions issued pursuant to the law.

Notwithstanding these improvements, technical deficiencies and challenges still remain in closing legal and regulatory loopholes and improving interagency cooperation. Most significantly, there is a general lack of prosecutions and penalties actually imposed for the offense of ML. Moreover, although financial regulators are empowered to audit and conduct on-site inspections, there are too few trained people with the expertise to carry them out rigorously.

In 2007, Argentina passed Law 26268 which criminalizes terrorist associations and the financing of these associations; however, the law is not in accordance with international standards. In October 2011, the executive branch presented a draft bill to the Congress which aims to modify the existing law to meet internationally accepted standards for countering the financing of terrorism.

In November 2011, the GOA published resolution 388/2011 announcing the creation of a new Financial Intelligence Unit (FIU) within AFIP, the government's federal tax agency. The creation of the FIU follows the implementation of a series of comprehensive government measures to monitor and control the FX market and stem capital flight. The new FIU's objectives are to monitor foreign currency transactions (FX) and to investigate infractions under the government's new foreign exchange restrictions. The resolution also notes that the new FIU will monitor and investigate the trading of stocks, bonds and other assets, as well as monitor all types of bank credit and loan transactions. It is presumed AFIP's new FIU will focus primarily on investigating FX transactions in order to reduce capital flight, which has been eroding Central

Bank reserves. The FIU also is tasked with investigating criminal transactions related to money laundering and the financing of terrorism (ML/FT), although it is unclear how the new FIU will interface with the already existing Financial Intelligence Unit (UIF) within the Ministry of Justice, which has traditionally been responsible for probing financial crimes.

In 2009, FinCEN suspended information sharing with the UIF after information given to the UIF was leaked to the local press. The UIF and Argentine government are working to reestablish the exchange of data.

To more fully meet international standards, Argentina's continuing priorities should be to address its systemic AML/CFT deficiencies, including by: implementing the new ML offense and criminalizing terrorist financing; establishing and implementing adequate procedures for the confiscation of funds related to money laundering, and identifying and freezing terrorist assets; enhancing financial transparency; ensuring a fully operational and effectively functioning FIU; improving and broadening CDD measures for non-banking and non-foreign exchange sectors, establishing appropriate channels for international co-operation; the effective sanctioning of officials and institutions that fail to comply with the requirements of the law; the pursuit of training programs for all levels of the financial, criminal justice, and judicial systems; and the provision of the necessary resources and incentives to financial regulators and law enforcement authorities to carry out their missions. There is also a need for increased public awareness of the problem of money laundering and its connection to narcotics, corruption, and terrorism.

Australia

Australia is a regional financial center. The majority of illegal proceeds are derived from fraud-related offenses, though narcotics offenses provide a substantial source of crime proceeds. The Government of Australia (GOA) maintains a comprehensive system to detect, prevent, and prosecute money laundering. Australian law enforcement agencies investigate an increasing number of cases that directly involve offenses committed overseas. Continuous consultation between government agencies and the private sector enables Australia to identify and address new money laundering and terrorist financing risks.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

KYC covered entities: Banks; gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters, including electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and

trustees; issuers, sellers or redeemers of travelers checks, money orders or similar instruments; preparers of payroll in whole or in part in currency on behalf of other persons; currency couriers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 44,775 from January 2010 to October 2011

Number of CTRs received and time frame: 30,342 from January 2010 to October 2011

STR covered entities: Banks, gaming and bookmaking establishments and casinos; bullion and cash dealers and money exchanges and remitters, including electronic funds transferors; insurers and insurance intermediaries; securities or derivatives dealers; registrars and trustees; issuers, sellers or redeemers of travelers checks, money orders or similar instruments; preparers of payroll in whole or in part in currency on behalf of other persons; currency couriers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 224 from January 2010 to October 2011

Convictions: 104 from January 2010 to October 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Australia is a member of the Financial Action Task Force (FATF) and of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body (FSRB). Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/60/33/35528955.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Australia has a robust regime to detect and deter money laundering and terrorism financing. The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act) provides the legal framework and establishes obligations. The Attorney-General's Department is the policy agency responsible for the AML/CTF Act. The Australian Transaction Reports and Analysis Centre (AUSTRAC) administers the Act, is Australia's financial intelligence unit and also the country's anti-money laundering regulator.

As of November 2011, the GOA extended its AML/CFT regulation to cover non-financial businesses and professions such as lawyers, accountants, jewelers, and real estate agents. In comparison to the size of the Australian economy and the comprehensive anti-money laundering countermeasures in place, the number of convictions for money laundering remains very low.

Third-party deposits, which can be used as vehicles to facilitate money laundering, are legal in Australia. However, authorities are working to limit the associated risks in Australia's financial system. On October 1, 2011, additional AML/CFT provisions came into effect, which require banking institutions to identify third parties undertaking transactions of \$10,000 or more. This obligation is in addition to reporting the details of the account holder involved in the transaction, and builds on existing customer due diligence and STR obligations.

The Australian government recently established a new Criminal Assets Confiscation Taskforce, which brings together agencies with key roles in the investigation and litigation of proceeds of

crime matters, to enhance the identification of potential asset confiscation matters and strengthen their pursuit.

Austria

Austria is a major regional financial center, and Austrian banking groups control significant shares of the banking markets in Central, Eastern, and Southeastern Europe. Money laundering occurs within the Austrian banking system as well as in non-bank financial institutions and businesses. Money laundered by organized crime groups derives primarily from serious fraud, smuggling, corruption, narcotics trafficking, and trafficking in persons. Theft, drug trafficking and fraud are the main predicate crimes in Austria according to conviction and investigation statistics. Austria is not an offshore jurisdiction and has no free trade zones.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Combination
Legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks and credit institutions, financial institutions, leasing and exchange businesses, safe custody services, portfolio advisers, brokers, securities firms, money transmitters, insurance companies and intermediaries, casinos, all dealers including those in high value goods, auctioneers, real estate agents, lawyers, notaries, certified public accountants, and auditors

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 2,211 in 2010
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks and credit institutions, financial institutions, leasing and exchange businesses, safe custody services, portfolio advisers, brokers, securities firms, money transmitters, insurance companies and intermediaries, casinos, all dealers including those in high value goods, auctioneers, real estate agents, lawyers, notaries, certified public accountants, auditors, and customs officials

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 582 in 2010
Convictions: Six in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Austria is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/22/50/44146250.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Austria has a combination of both an “all serious crimes” approach plus a list of predicate offenses which do not fall under the domestic definition of serious crimes, but which Austria includes to comply with international legal obligations and standards.

Asset freezing authority applies to all economic resources including financial funds, real estate, companies, and vehicles. On March 15, 2011, a bilateral asset sharing agreement between the United States and Austria to share assets seized from convicted criminals went into effect.

On July 7, 2011, Parliament adopted an amendment to the Stock Corporation Act, which went into effect August 1, 2011 and sharply restricts the issuance and use of bearer shares. The new legislation eliminates bearer shares for all companies except those listed on a recognized stock exchange.

Even absent a specific suspicion, new regulations require tax authorities to inform the FIU of all cases where private foundations do not disclose the founding deed, including all appendices and supplementary documentation, as well as beneficial owners of hidden trusteeships.

Bahamas

The Commonwealth of the Bahamas is an important regional and offshore financial center. The economy of the country is heavily reliant upon tourism, tourist-driven construction and the offshore sector. The Bahamas is a transshipment point for cocaine bound for the United States and Europe. Money laundering trends include the purchase of real estate, large vehicles and jewelry, as well as the processing of money through a complex web of legitimate businesses and international business companies (IBCs) registered in the offshore financial sector. Drug traffickers and other criminal organizations take advantage of the large number of IBCs and offshore banks registered in The Bahamas to launder significant sums of money despite strict know-your-customer (KYC) and transaction reporting requirements.

The country has one large free trade zone, Freeport Harbor. This zone is managed by a private entity, the Freeport Harbor Company, which is owned and operated through a joint venture between Hutchison Port Holdings (HPH) and The Port Group (The Grand Bahama Port Authority, the parastatal regulatory agency). Businesses at the harbor include private boat, ferry and cruise ship visits, roll-on/roll-off facilities for containerized cargo, and car transshipment. Freeport Harbor has the closest offshore port to the United States, and the entire country is relatively accessible by medium sized boats. This makes smuggling and bulk cash money laundering relatively easy. While it is illegal for citizens of The Bahamas to gamble, gambling is legal for tourists and there are three main casinos located on Grand Bahama and New Providence Islands.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crime: List approach

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC Covered entities: Banks and trust companies, insurance companies, securities firms and investment fund administrators, financial and corporate service providers, cooperatives, societies, casinos, lawyers, accountants, real estate agents, and company service providers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received for 2011: 45 in 2010

Number of CTRs received for 2011: Not available

STR covered entities: Banks and trust companies, insurance companies, securities firms and investment fund administrators, financial and corporate service providers, cooperatives, societies, casinos, lawyers, accountants, real estate agents, and company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Number of Prosecutions for 2011: None

Number of Convictions for 2011: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

The Bahamas is a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:

[http://www.cfatf-gafic.org/downloadables/mer/The_Bahamas_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/The_Bahamas_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the Commonwealth of the Bahamas should provide adequate resources to its law enforcement, judicial, and prosecutorial bodies in order to enforce existing legislation and safeguard the financial system from possible abuses. The Bahamas should continue to enhance its anti-money laundering/counter-terrorist financing regime by implementing the National Strategy on the Prevention of Money Laundering; by ensuring full compliance with UNSCRs 1267 and 1373; criminalizing participation in an organized criminal group; tightening the currency transaction reporting system; and by implementing a system to collect and analyze information on the cross border transportation of currency. It should also ensure there is a public registry of the beneficial owners of all entities licensed in its offshore financial center.

Belize

Belize is not a major regional financial center but, in an attempt to diversify its economic activities, authorities have encouraged the growth of offshore financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and international business companies. Belize has pegged the Belizean dollar to the U.S. dollar and continues to offer financial and corporate services to nonresidents in its offshore financial sector.

Belize is a transshipment point for marijuana, cocaine, and precursor chemicals for methamphetamines. Money laundering proceeds are related to proceeds from the trafficking of illegal narcotics, psychotropic substances, and chemical precursors, and they are controlled by drug trafficking organizations and organized criminal groups.

Belizean officials suspect that money laundering occurs at a significant level in Belize. Belizean officials believe the large Corozal Commercial Free Zone (CFZ) that operates at the border with Mexico is involved in trade based money laundering. Casinos and on-line gaming are legal but authorities acknowledge they are under-regulated which may pose a money laundering risk.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Both

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: YES

KYC covered entities: Domestic and offshore banks; venture risk capital; money broker, exchange and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions and building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; attorneys and notaries public; and accountants and auditors

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 76, January 1 through October 24, 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Domestic and offshore banks; venture risk capital; money broker, exchange and transmission services; moneylenders and pawnshops; insurance; real estate; credit unions and building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; attorneys, notaries public, accountants & auditors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two - January 1 through October 24, 2011

Convictions: Two - January 1 through October 24, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Belize is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/Belize_3rd_Round_MER_\(Final\)_\(English\).pdf](http://www.cfatf-gafic.org/downloadables/mer/Belize_3rd_Round_MER_(Final)_(English).pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Belize lacks the resources and political will to effectively enforce anti-money laundering rules. Belize's financial intelligence unit (FIU) has a broad mandate and a small staff. The FIU staff has limited training or experience in identifying, investigating, reviewing, and analyzing evidence in money laundering cases. There were credible reports of at least one investigation being halted because of political pressure on the FIU. Prosecutors and judges also need additional training on financial crimes, including money laundering. Belize should implement an arrangement for asset sharing to provide additional resources to the FIU.

Belize should significantly strengthen its laws and regulations on financial information systems, beneficial ownership, customer due diligence and wire transfers in line with international standards and recommendations. Belize should undertake a review of whether it is appropriate to implement a large currency transaction reporting regime.

While it is widely believed that abuse occurs within the offshore sector and in the free trade zones (FTZ), no one from these organizations has been charged with a financial crime. Belize should require the FTZ companies to be reporting entities.

The Government of Belize should become a party to the UN Convention against Corruption.

Bolivia

Bolivia is not a regional financial center, but money laundering activities continue to take place. These illicit financial activities are related primarily to narcotics trafficking, corruption, tax evasion, and smuggling and trafficking of persons. Casinos, cash transporters, informal exchange houses, and wire transfer businesses are not subject to anti-money laundering controls. The Bolivian banking supervision entity has declared that any non-registered exchange houses will be shut down. The Bolivian financial system is highly dollarized, with approximately 40% of deposits and loans distributed in U.S. dollars rather than Bolivianos, the local currency (down from 90% in 2004). Bolivia has 13 free trade zones for commercial and industrial use located in El Alto, Cochabamba, Santa Cruz, Oruro, Puerto Aguirre, and Desaguadero.

In December 2008, the Egmont Group expelled the Financial Investigation Unit (UIF), Bolivia's financial intelligence unit (FIU), from its membership, due to a lack of terrorism financing legislation in Bolivian law. To regain Egmont membership, Bolivia must reapply and provide written evidence of its FIU's compliance with Egmont FIU definitions and requirements.

Bolivia is included in the October 2011 Financial Action Task Force (FATF) Public Statement because it has not made sufficient progress in implementing its action plan and continues to have certain strategic AML/CFT deficiencies, including inadequacies in its criminalization of both money laundering and terrorist financing.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Legal persons covered: criminally: YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES
KYC covered entities: Banks, insurance companies, securities brokers and financial intermediaries

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available
Number of CTRs received and time frame: Not available
STR covered entities: Banks, insurance companies, securities brokers and financial intermediaries

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 110 cases related to money laundering, corruption, and terrorist financing in 2011
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: Not available

Bolivia is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.gafisud.info/pdf/InformeBolivia.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The expulsion of the U.S. Drug Enforcement Administration from Bolivia in November 2008 has continued to diminish the effectiveness of several financial investigative groups operating in the country, including Bolivia's Financial Investigative Team, the Bolivian Special Counternarcotics Police, and the Bolivian Special Operations Force. Nevertheless, the Counternarcotics Police's Financial Intelligence and Analysis Group provided the investigative leads for three major cases in 2011, two related to investigations by regional counterparts. Most

money laundering investigations continue to be in the Department of Santa Cruz and are associated with narcotics trafficking organizations.

Bolivia's expulsion from the Egmont Group bars the UIF from participating in Egmont Group meetings or using the Egmont Secure Web (the primary means of information exchange among Egmont Group member FIUs). Bolivia is currently working toward rejoining the Egmont Group and the passage of its TF law in 2011 is a step in the right direction.

Bolivia's AML law does not include all offenses recommended in the international standards. Bolivia should seek to extend its laws to the widest range of predicate offenses.

In September 2011, the Government of Bolivia (GOB) passed new legislation criminalizing terrorist financing. Like the AML law, this law is not sufficiently broad to meet international standards. All terrorist activity must be connected to a group, and "terrorism" appears to be narrowly defined. The financing of an individual terrorist would be covered only if he/she also takes part in such a group. At present there is neither regulation nor guidance on the treatment of suspicious transactions potentially related to terrorist financing, though Bolivian authorities stated guidance will be issued in the last quarter of 2011 and workshops will be organized to communicate the guidelines to responsible entities. Some progress has been made with the new legislation criminalizing TF. However, Bolivia has still to demonstrate that its procedures for monitoring sanctions lists and taking freezing actions can occur in a matter of hours and that the freeze can be maintained indefinitely.

In 2011, the UIF investigated 395 cases involving 1,338 people for suspicious transactions and referred 39 cases to the prosecutor's office. Eleven entities doing banking transactions illegally were closed down. The continued lack of personnel, combined with inadequate resources and weaknesses in Bolivia's basic legal and regulatory framework, limits the UIF's reach and effectiveness. Given the UIF's limited resources relative to the size of Bolivia's financial sector, compliance with reporting requirements is extremely low. The exchange of information between the UIF and appropriate police investigative entities is also limited, although the UIF does maintain a database of suspect persons that financial entities must check before conducting business with clients.

Brazil

As of 2011, Brazil is the world's seventh largest economy by nominal GDP. Brazil is considered a regional financial center for Latin America. It is a major drug-transit country, as well as one of the world's largest consumer countries. Money laundering in Brazil is primarily related to domestic crime, especially drug trafficking, corruption, organized crime, gambling, and trade in various types of contraband. Laundering channels include the use of banks, real estate investment, financial asset markets, luxury goods, remittance networks, informal financial networks, and trade-based money laundering.

Sao Paulo and the Tri-Border Area (TBA) of Brazil, Argentina, and Paraguay are particular areas that possess high risk factors for money laundering. In addition to weapons and narcotics, a wide variety of counterfeit goods, including CDs, DVDs, and computer software (much of it of Asian origin), are routinely smuggled across the border from Paraguay into Brazil. In addition to Sao

Paulo and the TBA, other areas of the country are also of growing concern. The Government of Brazil (GOB) and local officials in the states of Mato Grosso do Sul, and Parana, for example, have reported increased involvement by Rio de Janeiro and Sao Paulo gangs in the already significant trafficking in weapons and drugs that plagues Brazil's western border states.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: NO civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art and antiques

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame:

Number of CTRs received and time frame:

1,038,505 STRs/CTRs in 2010 (only combined figures are available)

STR covered entities: Commercial and savings banks and credit unions; insurance companies and brokers; securities, foreign exchange, and commodities brokers/traders; real estate brokers; credit card companies; money remittance businesses; factoring companies; gaming and lottery operators and bingo parlors; dealers in jewelry, precious metals, art and antiques

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdiction: YES

Brazil is a member of the Financial Action Task Force (FATF) and the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/document/53/0,3746,en_32250379_32236963_45538741_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOB has achieved visible results over the last few years from investments in border and law enforcement infrastructure that were executed with a view to gradually control the flow of goods, both legal and illegal across Brazil's land borders. Anti-smuggling and law enforcement efforts by state and federal agencies have increased. Brazilian Customs and the Brazilian Tax Authority (Receita Federal) continue to take effective action to suppress the smuggling of drugs, weapons, and contraband goods along the border with Paraguay. Because of the effective crackdown on the Friendship Bridge connecting Foz do Iguaçu, Brazil, and Ciudad del Este, Paraguay, most smuggling has migrated to other sections of the border. The Federal Police have Special Maritime Police Units that aggressively patrol the maritime border areas.

Legal persons are not subject to direct civil or administrative liability for committing money laundering (ML) offenses. Corporate criminal liability is not possible due to fundamental principles of domestic law. Natural and legal persons are not subject to effective sanctions for ML because systemic problems in the court system seriously hamper the ability to obtain final convictions and sentences. There are very few final convictions for ML, and convictions in the first instance are low given the level of ML risk and size of the financial sector. The GOB should take legislative action to establish direct civil or administrative corporate liability for ML and ensure that effective, proportionate and dissuasive sanctions may be applied to legal persons. Brazil also should continue to support the Specialized Federal Courts and other measures to ameliorate the negative impact of some of the systemic problems in the court system which are undermining the ability to effectively apply final sanctions for ML. The GOB should continue taking measures to ensure the overlapping jurisdiction among federal and state law enforcement authorities does not impede the effectiveness of their ability to investigate ML. Brazil also should continue the PNLD training program and extend it as widely as possible to ensure that police, prosecutors and judges at both the state and federal levels have sufficient training in the investigation and prosecution of ML cases.

Most high-priced goods in the TBA are paid for in U.S. dollars, and cross-border bulk cash smuggling is a major concern. Large sums of U.S. dollars generated from licit and suspected illicit commercial activity are transported physically from Paraguay through Uruguay and Brazil to banking centers in the United States. Brazil maintains some controls of capital flows and requires disclosure of the ownership of corporations.

U.S. Immigration and Customs Enforcement established a Brazil-based partner Trade Transparency Unit (TTU) to aggressively analyze, identify, and investigate companies and individuals involved in trade-based money laundering activities between Brazil and the United States. As a result of the TTU, Brazil has identified millions of dollars of lost revenue.

The GOB has generally responded to U.S. efforts to identify and block terrorist-related funds, although the GOB has consistently said there is no evidence of terrorist financing within Brazil despite arrests and designations related to terrorist financing activity within the country.

Although Brazil is a party to the United Nations International Convention for the Suppression of the Financing of Terrorism, it has not criminalized terrorist financing in a manner that is consistent with international standards. Terrorist financing is a predicate offense for money laundering but is not an autonomous offense in Brazil. A bill that has been pending legislative action for over two years contains language that could resolve this gap.

British Virgin Islands

The British Virgin Islands (BVI) is a United Kingdom (UK) overseas territory with a population of approximately 22,000. The economy depends greatly on tourism and its offshore financial sector. BVI is a well-established financial center offering accounting; banking and legal services; captive insurance; company incorporations; mutual funds administration; trust formation; and shipping registration. The Financial Services Commission (FSC) is the sole supervisory authority responsible for the licensing and supervision of financial institutions under the relevant statutes. As of March 2011, there were 45,666 active companies, seven licensed banks, 216 other fiduciary companies and 2,627 investment businesses registered with the FSC. The banking sector has assets valued at \$2.4 billion as of September 2011. Exploitation of its offshore financial services, BVI's unique share structure that does not require a statement of authorized capital, and the lack of mandatory filing of ownership information pose significant money laundering risks.

Tourism accounts for 45% of the economy and employs the majority of the workforce; however, financial services contribute over half of government revenues. BVI's proximity to the U.S. Virgin Islands and the use of the U.S. dollar for its currency pose additional risk factors for money laundering. The BVI are a major target for drug traffickers, who use the area as a gateway to the United States. Drug trafficking in general is a serious problem.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; and leasing companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 191 in 2010
Number of CTRs received and time frame: Not available
STR covered entities: Banks; currency exchanges; charities and nonprofit associations; dealers in autos, yachts, and heavy machinery; dealers in precious metals and stones; and leasing companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2010
Convictions: None in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

BVI is a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:

<http://www.cfatf->

[gafic.org/downloadables/mer/Virgin_Islands_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS

The BVI has improved its international cooperation and information exchange regime and has concluded and enforced Tax Information Exchange Agreements with 20 countries, including the U.S., which all contain provisions sufficient to allow the BVI to exchange relevant information.

While BVI legislation has strengthened due diligence requirements where a representative is acting on another person's behalf, or when the customer is resident in another country, and has extended regulation to money value transfer service operators, these laws are too recent to be evaluated. The FSC has increased its staffing in order to meet the recommended inspection and reporting requirements, especially in light of the new entities covered under the law. The lack of prosecutions for money laundering and a reported decline in number of inspections suggests the FSC should work closely with law enforcement and other authorities.

BVI needs to urgently clarify its publication of data - no data was available for the number of STRs and prosecutions for 2011. In addition, while real estate agents, lawyers, other independent legal advisers, accountants, and dealers in precious metals and stones are covered by the AML/CFT regulations, there appears to be no effective mechanism (i.e., supervision) to ensure compliance with AML/CFT requirements.

The British Virgin Islands is a United Kingdom (UK) Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the BVI's international affairs and may arrange for the ratification of any convention to be extended to the BVI. The 1988 Drug Convention was extended to the BVI in 1995. The UN Convention against Corruption was extended to the BVI in 2006. The International Convention for the Suppression of the Financing of Terrorism and the UN Convention against Transnational Organized Crime have not yet been extended to the BVI.

Burma

Burma is not a regional or offshore financial center. Its economy is underdeveloped and largely isolated from the international financial system. However, Burma's prolific drug production and lack of transparency make it attractive for domestic money laundering. While its underdeveloped economy is not adequate as a destination to harbor funds, the low risk of enforcement and prosecution makes it appealing to the criminal underground. In addition to drug trafficking, trafficking in persons and public corruption are major sources of illicit proceeds. Money launderers also exploit the illegal trade in wildlife, gems, and timber; and trade-based money laundering is of increasing concern.

Burma is second only to Afghanistan in opium production and is increasingly a source of methamphetamine and amphetamine type substances. Its long, porous borders are poorly patrolled. In some remote regions where smuggling is active, ongoing ethnic tensions, and in some cases armed conflict, impede government territorial control. In other areas, political arrangements between traffickers and Burma's government allow organized crime groups to function with minimal risk of interdiction. The Government of Burma (GOB) considers drug enforcement secondary to security and is willing to allow narcotics trafficking in border areas in exchange for cooperation from ethnic armed groups.

The government dominates the economy. State-owned enterprises and military holding companies control a substantial portion of Burma's resources. A move toward privatization in 2010 transferred significant assets to private parties. This was followed in 2011 by sales of government buildings and plots of land, mostly in Rangoon; however, most new owners appear to be business associates of the former ruling generals or politicians in the current civilian government and some are allegedly connected to drug trafficking.

Corruption is endemic in both business and government. Transparency International's 2010 Corruption Perception Index ranks Burma 176 out of 178 countries. This extensive corruption, overall lack of governmental transparency, and an extremely weak financial regulatory system have stymied the GOB's recent, preliminary gestures toward financial reform. In the past several years, the GOB enacted several reforms intended to reduce vulnerability to drug money laundering in the banking sector. However, connections to powerful patrons still outweigh rule of law, and Burma continues to face significant risk of drug money being funneled into commercial ventures.

Since 1997, the United States has imposed economic sanctions on Burma due to large-scale repression of the country's democratic opposition. Executive Order 13047 (1997) prohibits U.S. persons from making or facilitating new investments in Burma. Subsequent measures expand the scope of economic sanctions. In 2003, the Burmese Freedom and Democracy Act and Executive Order 13310 added a ban on importing Burmese products and exporting financial services to Burma and blocked the assets of the former military government (SPDC) and three designated Burmese foreign trade financial institutions. A 2007 Executive Order (E.O. 13348) freezes the assets of additional designated individuals responsible for human rights abuses and public corruption. In July 2008, Congress enacted legislation that expands the categories of individuals and entities subject to asset freezes and travel restrictions and of Burmese products subject to import bans.

In 2003, the United States also designated Burma as a jurisdiction of primary money laundering concern and imposed countermeasures, pursuant to Section 311 of the USAPATRIOT Act, because of its extremely weak anti-money laundering /counter-terrorist financing (AML/CFT) regime.

In its October 2011 Public Statement, the Financial Action Task Force (FATF) notes concern that Burma continues to have significant strategic AML/CFT deficiencies and has not reported any progress in addressing these deficiencies in accordance with its action plan. In response to FATF Public Statements concerning Burma, the United States continues to issue advisories to financial institutions, alerting them of the risk posed by Burma's AML/CFT deficiencies and of the need to conduct enhanced due diligence with respect to financial transactions involving Burma.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 214 from January to October 2011
Number of CTRs received and time frame: 137,910 from January to October 2011
STR covered entities: Banks (including bank-operated money changing counters), customs officials, state-owned insurance company and small loans enterprise, securities exchange, accountants, the legal and real estate sectors, and dealers of precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* NO
With other governments/jurisdictions: YES

Burma is a member of the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here:
<http://www.apgml.org/documents/docs/17/Myanmar%202008.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Burma’s financial sector is extremely underdeveloped and most currency is held outside the formal banking system. The informal economy generates few reliable records, and the GOB makes no meaningful efforts to ascertain the amount or source of income or value transfers. Regulation of financial institutions is likewise extremely weak. While some Burmese financial institutions may engage in currency transactions related to international narcotics trafficking that include significant amounts of U.S. currency, the absence of publicly available GOB information precludes confirmation of such conduct. Burmese law does not contain any customer due diligence (CDD) requirements, although the Central Bank (CB) issues guidelines for banks to follow and some entities implement CDD procedures under other, non-AML related legal provisions.

Burma does not specifically criminalize terrorist financing or designate it as a predicate offense for money laundering, nor is terrorist financing an extraditable offense.

Corruption is pervasive in every level of Burma's government. Senior military officials are essentially above the law and free to engage in a range of activities designed to enrich themselves and maintain their hold on power. Government workers do not receive a living wage and routinely seek bribes as additional "compensation." Any efforts to address the rampant corruption are impeded by the military's control over all civilian authority, including the police. The GOB should end all policies that facilitate corrupt practices and money laundering, including strengthening regulatory oversight of the formal financial sector and implementing a transparent transaction reporting regime. The FIU should become a fully funded independent agency that functions without interference, and the GOB should supply adequate resources to administrative and judicial authorities for their enforcement of government regulations. The GOB should also move the CB from under the operational control of the Ministry of Finance and make it an operationally independent entity.

The GOB should become a party to the UN Convention against Corruption.

Cambodia

Cambodia is neither a regional nor an offshore financial center. Cambodia is at significant risk for money laundering due to its cash-based and dollarized economy, porous borders, rapidly growing formal banking sector, weak judicial system, and endemic corruption. The National Bank of Cambodia has limited capacity to oversee the growing financial and banking industries, and there is little monitoring of casinos.

Cambodia has a significant black market for smuggled goods, including drugs and imported precursors for local production of the methamphetamine ATS. Regardless of size, both licit and illicit transactions are frequently conducted outside formal financial institutions and are difficult to monitor. Cash proceeds from crime are readily channeled into land, housing, luxury goods, or other forms of property without passing through the formal banking sector.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks; micro-finance institutions; credit cooperatives; security brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals, stones and gems; post offices performing payment transactions; lawyers, notaries, accountants,

auditors, investment advisors and asset managers; casinos and gambling institutions; and NGOs and foundations doing business and raising funds

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 138 in 2011

Number of CTRs received and time frame: 611,976 in 2011

STR covered entities: Banks; micro-finance institutions; credit cooperatives; security brokerage firms and insurance companies; leasing companies; exchange offices/money exchangers; real estate agents; money remittance services; dealers in precious metals, stones and gems; post offices performing payment transactions; lawyers, notaries, accountants, auditors, investment advisors and asset managers; casinos and gambling institutions; and NGOs and foundations doing business and raising funds

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO **Other mechanism:** NO

With other governments/jurisdiction: YES

Cambodia is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.apgml.org/documents/docs/17/Cambodia%20World%20Bank%20DAR%20July%2007.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Cambodia's 2007 AML/CFT law defines money laundering, but does not adequately criminalize money laundering and terrorist financing due to the lack of penalty provisions for offenses other than those relating to reporting obligations. The existing penal code, amended in 2010, criminalizes money laundering, but only criminalizes the act of concealment, and does not meet international standards. Furthermore, the AML/CFT law only covers terrorist financing if it is related to a specific terrorist act, and does not cover material support of an individual terrorist or terrorist organization. The Government of Cambodia (GOC) is in the process of amending the AML/CFT law and should ensure the AML/CFT amendment comprehensively criminalizes money laundering and terrorist financing, consistent with international standards.

Cambodia lacks a clear legal or regulatory basis to identify and freeze terrorist assets. While the 2007 Counter Terrorism Law authorizes prosecutors to freeze terrorist assets, the AML/CFT regulations provide for an administrative freeze that places the obligation of identifying and freezing terrorist assets on the banks. Cambodia should address this inconsistency and provide clear measures in the law and regulation that allow for the implementation of international standards. In addition, procedures for the confiscation of funds related to money laundering are inadequate, and the GOC lacks effective controls for cross-border cash transactions. The GOC should establish enforceable instructions for freezing terrorist assets without delay and impose more stringent cross-border cash transaction controls.

Cambodia's nascent financial intelligence unit (FIU) lacks both the capacity and the authority to engage fully in AML/CFT efforts. While the FIU can raise concerns with law enforcement, it forwards CTRs and STRs to the Ministry of the Interior, which determines whether to pursue an investigation. The lack of a clear and coherent reporting and enforcement structure undermines FIU independence and compromises AML/CFT activities. Few covered entities follow STR reporting guidelines. The GOC should rationalize the STR and CTR reporting process to ensure law enforcement agencies have the data they need and covered entities understand the purpose of, and process for, filing STRs. The GOC should also provide training to commercial bank officers, law enforcement agencies, and regulatory bodies.

Canada

Money laundering activities in Canada are primarily a product of illegal narcotics, psychotropic substances, or chemical precursors. In the UN's 2009 and 2011 World Drug Reports, Canada is cited as the leading supplier of ecstasy in North America as well as a major producer and shipper of methamphetamine for markets around the world. The criminal proceeds laundered in Canada derive primarily from domestic activity which is controlled by drug trafficking organizations and organized crime.

Canada does not have a significant black market for illicit or smuggled goods. Cigarettes are the most commonly smuggled good in the country. There are indications that trade-based money laundering occurs in the jurisdiction. There is no certainty that this activity is tied to terrorist financing activity.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers/agents; agents of the Crown; money services businesses; accountants and accounting firms; lawyers; dealers in precious metals and stones; and notaries in Quebec and British Columbia

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,616 in 2011

Number of CTRs received and time frame: 3,049 in 2011

STR covered entities: Banks and credit unions; life insurance companies, brokers, and agents; securities dealers; casinos; real estate brokers/agents; agents of the Crown; foreign exchange and money services businesses; accountants and accounting firms; lawyers; dealers in precious metals and stones; and notaries in Quebec and British Columbia

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 35 through 2010

Convictions: One

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Canada is a member of the Financial Action Task (FATF) and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/document/58/0,3746,en_32250379_32236963_40199098_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Reported incidents involving money laundering have increased substantially in Canada over the last decade. The vast majority of money laundering cases in Canada, however, have failed to lead to convictions. Statistics Canada reported in 2011 that out of 29 cases involving money laundering in 2009 and 2010, only 34% resulted in a conviction. The same report indicated that many cases of money laundering go unsolved in Canada. Canadian law enforcement was able to identify a suspect in only 18% of reported money laundering cases in 2009. Money laundering offenses have a higher threshold for prosecution and conviction than the offense of benefiting from the proceeds of crime. Criminals appear willing to forfeit assets and plead guilty to lesser charges to avoid prosecution under AML and proceeds of crime statutes.

The Financial Transactions Reports Analysis Centre of Canada (FINTRAC) is Canada's financial intelligence unit. FINTRAC plays a central role in Canada's fight against money laundering and terrorism. The time between FINTRAC's initial receipt of STRs and the conclusion of an investigation can be quite lengthy, a noted criticism (average number of days for a report dropped from 68 to 56 from 2010-2011).

Lawyers in several provinces have successfully challenged the applicability of the AML law based upon common law attorney-client privileges; therefore, lawyers are not completely covered by the AML provisions.

Deficiencies have been identified in Canada's anti-money laundering/counter-terrorist financing regime relating to its customer due diligence obligations. In 2011, the Canadian government proposed changes to the Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations in order to address those deficiencies and to improve Canada's compliance with international standards. The proposed changes would require reporting entities to better identify customers and understand their business, which will consequently enable them to identify transactions and activities that are at greater risk for money laundering or terrorist financing.

While the law provides sufficient powers to Canadian law enforcement to pursue money launderers, the budget for relevant law enforcement authorities has not increased; additional resources could increase the effectiveness of existing laws. Provincial and federal statistics should be tracked jointly. Appropriately tracking these cases could reveal a more robust rate of money laundering related convictions.

Canada should continue its work to strengthen its AML/CFT measures within the casino industry and reduce the length of time needed for FINTRAC to prepare reports used by law enforcement authorities. Canada also should continue to ensure its privacy laws do not excessively prohibit provision of information to domestic and foreign law enforcement that might lead to prosecutions and convictions.

Cayman Islands

The Cayman Islands, a United Kingdom (UK) Caribbean overseas territory, is an offshore financial center. Most money laundering that occurs in the Cayman Islands is primarily related to fraud and drug trafficking. Due to its status as a zero-tax regime, the Cayman Islands is also considered attractive to those seeking to evade taxes in their home jurisdictions.

The Cayman Islands is home to a well-developed offshore financial center that provides a wide range of services, including banking, structured finance, investment funds, various types of trusts, and company formation and management. As of December 2010, the banking sector had \$1.73 trillion in assets. There were approximately 250 banks, 150 active trust licenses, 730 captive insurance companies, nine money service businesses, and more than 85,000 companies licensed or registered in the Cayman Islands. According to the Cayman Islands Monetary Authority, at year end 2010, there were approximately 9,000 registered mutual funds, of which 435 were administered and 133 were licensed. Shell banks are prohibited, as are anonymous accounts. Bearer shares can only be issued by exempt companies and must be immobilized.

Gambling is illegal; and the Cayman Islands do not permit the registration of offshore gaming entities. There are no free trade zones, and the authorities do not see risks from bulk cash smuggling related to the large number of cruise ships that dock at the island.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** YES
KYC covered entities: Banks, trust companies, investment funds, fund administrators, insurance companies and managers, money service businesses, corporate and trust service

providers, money transmitters, dealers of precious metals and stones, and the real estate industry

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 353 between April 2010 and March 2011.

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, trust companies, investment funds, fund administrators, insurance companies and managers, money service businesses, corporate and trust service providers, money transmitters, dealers of precious metals and stones, and the real estate industry

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Eight between 2003 and 2010

Convictions: One since 2006

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

The Cayman Islands is a member of the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found here:

<http://www.cfatf->

[gafic.org/downloadables/mer/Cayman_Islands_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While the Cayman Islands has increased both its regulatory and law enforcement staffing, the number of prosecutions and convictions is extremely low given the vast scale of the country's financial sector; only six successful prosecutions for money laundering, and only one conviction in the last four years.

International reporting suggests agents for private trust companies and individuals carrying on trust businesses may not consistently maintain identity and ownership information for all express trusts for which they act as trustees. In addition, there remains a lack of penalties for failing to report ownership and identity information, which undermines the effectiveness of identification obligations. This is a particular problem for an estimated 3,000 unregulated mutual funds resident in the Cayman Islands. There also is a need to pay greater attention to the risks and proper supervision of non-profit organizations.

The Cayman Islands continues to develop its network of exchange of information mechanisms. Since 2010, the Cayman Islands has signed a further five tax information exchange agreements, with Canada, Mexico, Japan, India and South Africa, which meet the international standard. It now has a network of 24 information exchange agreements, with 12 of those already in force.

The Cayman Islands is a United Kingdom (UK) Caribbean overseas territory and cannot sign or ratify international conventions in its own right. Rather, the UK is responsible for the Cayman Islands' international affairs and may arrange for the ratification of any Convention to be extended to the Cayman Islands. The 1988 Drug Convention was extended to the Cayman Islands in 1995 and is implemented through several laws. The UN Convention against

Corruption and the UN Convention against Transnational Organized Crime have not yet been extended to the Cayman Islands. However, the full implementation platform for the anti-corruption convention exists under current Cayman law. A 2002 request for extension of the International Convention for the Suppression of the Financing of Terrorism to the Cayman Islands has not yet been finalized by the UK, although the provisions of the Convention also are implemented by domestic laws.

China, People's Republic of

China is swiftly becoming a major global financial center, with a rapidly growing economy and increased integration in the international market. The primary sources of criminal proceeds are corruption, narcotics and human trafficking, smuggling, economic crimes, intellectual property theft, counterfeit goods, crimes against property, and tax evasion. Money is generally laundered through bulk cash smuggling, trade-based fraud (over/under pricing of goods, falsified bills of lading and customs declarations, counterfeit import/export contracts), real estate, and both the formal and underground banking systems.

Most money laundering cases currently under investigation involve funds obtained from corruption and bribery. Proceeds of tax evasion, recycled through offshore companies, often return to China disguised as foreign investment and, as such, receive tax benefits. Chinese officials have noted that most acts of corruption in China are closely related to economic activities that accompany illegal money transfers.

Chinese authorities have observed that the increase in AML efforts by banks has been accompanied by increased laundering through the underground banking system and trade fraud. Value transfer via trade goods, including barter exchange, is a common component in Chinese underground finance. Many Chinese underground trading networks in Africa, Asia, the Middle East, and the Americas participate in the trade of Chinese-manufactured counterfeit goods.

China is not a major offshore financial center. China has multiple Special Economic Zones (SEZs) and other designated development zones at the national, regional, and local levels. SEZs include Shenzhen, Shantou, Zhuhai, Xiamen, and Hainan, along with 14 coastal cities and over 100 designated development zones.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, securities dealers, insurance companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 61,852,018 in 2010

Number of CTRs received and time frame: China does not separate STRs and CTRs

STR covered entities: Banks, securities dealers, and insurance companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 11,456 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

China is a member of the Financial Action Task Force (FATF), as well as the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG), both of which are FATF-style regional bodies (FSRB). Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/33/11/39148196.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2011, the Government of China (GOC) adopted special legislation that defines the legal scope of “terrorist activities” related to the crime of terrorist financing (among other crimes) and provides the legal basis for the establishment of a national, interagency terrorist asset freezing body that, if robustly implemented, should bring China into greater compliance with the requirements of UNSCRs 1267 and 1373.

The GOC should strengthen AML/CFT enforcement efforts to keep pace with the sophistication and reach of criminal and terrorist networks. Although mandatory, the courts do not systematically pursue the confiscation of criminal proceeds, which undermines any disincentive to commit the crime. The GOC should ensure that all courts are aware of and uniformly implement the mandatory confiscation laws. China also should enhance coordination among its financial regulators and law enforcement bodies to better investigate and prosecute offenders. China’s Ministry of Public Security should continue ongoing efforts to develop a better understanding of how AML/CFT tools can be used to support the investigation and prosecution of a wide range of criminal activity.

U.S. law enforcement agencies note that the GOC has not cooperated sufficiently on financial investigations and does not provide adequate responses to requests for financial investigation information. In addition to the lack of law enforcement based cooperation, the GOC’s inability to enforce U.S. court orders or judgments obtained as a result of non-conviction based forfeiture actions against China-based assets remains a significant barrier to enhanced U.S. - China cooperation in asset freezing and confiscation.

The GOC should expand cooperation with counterparts in the United States and other countries, and pursue international linkages in AML/CFT efforts more aggressively. U.S. agencies

consistently seek to expand cooperation with Chinese counterparts on AML/CFT matters and to strengthen both policy- and operational-level cooperation in this critical area. While China continues to make significant improvements to its AML/CFT legal and regulatory framework and is gradually making progress toward meeting the international standards, implementation, particularly in the context of international cooperation, remains lacking.

Colombia

The Government of Colombia (GOC) is a regional leader in the fight against money laundering and terrorist financing. The GOC has a forceful anti-money laundering/counter-terrorist financing (AML/CFT) regime; however, the laundering of money from Colombia's illicit cocaine and heroin trade continues to penetrate its economy and affect its financial institutions. Laundered funds also are derived from commercial smuggling for tax and import duty evasion; kidnapping; arms trafficking; and terrorism connected to violent, illegally-armed groups and guerrilla organizations, including U.S. Government-designated terrorist organizations.

Both drug and money laundering organizations use a variety of methods to repatriate their illicit proceeds to Colombia. These methods include the Black Market Peso Exchange (BMPE), bulk cash smuggling, wire transfers, remittances, smuggled merchandise (contraband) and more recent methods, such as through the securities markets (both U.S. and Colombian), casinos, electronic currency and prepaid debit cards as well as illegal mining. Criminal elements have used the banking sector, and Colombian money brokers, primarily concentrated in Bogota, but also in Medellin and Cali, are additional entities that facilitate money laundering activities. The trade of counterfeit items in violation of intellectual property rights is an ever increasing method to launder illicit proceeds. Casinos, free trade zones (FTZs) and the postal money order market in Colombia present opportunities for criminals to take advantage of inadequate regulation and transparency.

Money laundering also has occurred via trade and the non-bank financial system, especially transactions that support the informal or underground economy. Trade-based money laundering by Colombian organizations with connections to Mexico, China, Ecuador, Peru and Panama has grown exponentially in recent years. In the BMPE, or trade-based money laundering scheme, goods from abroad (China has replaced the United States) are bought with drug dollars. Many of the goods are either smuggled into Colombia or brought directly into Colombia's customs warehouses, thus avoiding various taxes, tariffs and legal customs duties. In other trade-based money laundering schemes, goods are over-or-under invoiced to transfer value. According to people who have worked for years in the BMPE industry, evasion of the normal customs charges is frequently facilitated through the corruption of Colombian oversight authorities by the drug and money laundering groups.

Official corruption has also aided money laundering and terrorist financing in geographic areas controlled by the Revolutionary Armed Forces of Colombia (FARC). Although corruption of government officials remains a problem, President Juan Manuel Santos has taken a hard line on corruption and has demonstrated that he is serious about punishing corrupt officials at the highest level. Since Santos entered office, four former ministers, three former security directors of the Administrative Department, and other government officials have been dismissed from office, taken to court, or jailed.

In 2005, Colombia's Congress passed a comprehensive FTZ modernization law that opens investment to international companies, allows one-company or stand-alone FTZs, and permits the designation of pre-existing plants as FTZs. As of September 2011, there are 91 FTZs in Colombia. Companies within FTZs enjoy a series of benefits such as a preferential corporate income tax rate and exemption from customs duties and value-added taxes on imported materials. The Ministry of Commerce administers requests for establishing FTZs, but the government does not participate in their operation. The DIAN (Colombia's Tax and Customs Authority), regulates activities and materials in FTZs, and there are identification requirements for companies and individuals who enter or work in the FTZs. The Santos Administration is revising the FTZ and tax exemption scheme in order to limit their use in the near future.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

KYC covered entities: Banks, stock exchanges and brokers, mutual funds, investment funds, export and import intermediaries, credit unions, wire remitters, money exchange houses, public agencies, notaries, casinos, lottery operators, car dealers, and foreign currency traders

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 4,904 January through August 2011

Number of CTRs received and time frame: 98,076 January through August 2011

STR covered entities: Banks, securities broker/dealers, trust companies, pension funds, savings and credit cooperatives, depository and lending institutions, lotteries and casinos, vehicle dealers, currency dealers, importers/exporters and international gold traders

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 115 in 2010

Convictions: 95 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Colombia is a member of GAFISUD, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.gafisud.info/pdf/InformedeEvaluacinMutuaRepblicadeColombia_1.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Colombia continues to make progress in the development of its financial intelligence unit, regulatory framework and interagency cooperation within the government. However, referrals from the Colombian UIAF (Financial Intelligence Unit) to the public ministry for ML/TF cases substantially decreased in 2011 and therefore prosecutions have decreased as well. Placing greater focus and priority on money laundering investigations, including increasing resources and training, will be necessary to ensure continued and improved progress. The GOC should take steps to foster better interagency cooperation, including coordination between the UIAF, Colombia's financial intelligence unit; National Police; Colombia's Trade Transparency Unit; and the tax and customs authority in order to combat the growth in contraband trade to launder illicit drug proceeds. Congestion in the court system, procedural impediments, and corruption remain problems that need to be addressed.

Colombian law lists specific predicate crimes upon which it bases money laundering violations. The included crimes generally involve illegal armed groups and criminal syndicates and their related activities.

The Colombian legal system has evolved with the introduction of the adversarial oral system. Related to this, the Prosecutor General's Office (Fiscalia), has undergone a transformation that has resulted in the loss of significant institutional knowledge and professional ability. This has been due, in large part, to a court decision requiring staffing changes whereby many experienced prosecutors were let go and new hires replaced them. The office is in the process of reconstructing its capabilities, but its effectiveness has been affected..

The Colombian Superintendency of Companies (SuperSociedades) has been working on new anti-money laundering regulations and know-your-customer regulations for the private sector that should be announced by the end of 2011.

While the Colombian financial system has banking controls and government regulatory processes in place, it is reported that drug and money laundering groups have influenced high level bank officials in order to circumvent both established anti-money laundering controls and government regulations.

Colombian law is unclear on the government's authority to block assets of individuals and entities on the UN 1267 Sanctions Committee's consolidated list. Banks are able to close accounts, but not to seize assets. Colombian law should be clarified to spell out the government's authority to block assets of individuals and entities on the UN 1267 Sanctions Committee's consolidated list.

The GOC should put in place streamlined procedures for the liquidation and sale of seized assets under state management and should revise procedures to permit expedited forfeiture of seized assets. A five to 15 year time frame for forfeiture opens opportunities for waste, fraud and abuse while limiting the deterrent effect that could result from rapid asset forfeiture. Colombian prosecutors could take steps to not only seize the physical assets (real property) of narcotics traffickers but also seize their bank accounts in Colombia. This element is frequently not a part of regular Colombian asset seizure operations. In addition, the GOC should increase the number of judges that oversee asset forfeiture and money laundering cases to expedite the judicial process.

The GOC works extensively with U.S. law enforcement agencies to identify, target and prosecute groups and individuals engaged in financial and drug crimes. The GOC should explore steps to foster increased cooperation between the UIAF and the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) and Office of Foreign Assets Control (OFAC) as case exchanges substantially decreased in 2011.

Costa Rica

While not a major regional financial center, Costa Rica remains vulnerable to money laundering and other financial crimes, including various schemes that target U.S.-based victims. Money laundering activities are primarily related to the foreign proceeds of international trafficking in cocaine. A sizeable internet gaming industry also launders millions of dollars in illicit proceeds through Costa Rica and offshore centers annually. To a lesser extent, proceeds are laundered in Costa Rica from domestic criminal activities, including trafficking narcotics, persons or arms; fraud; corruption; and contraband smuggling. A significant market exists in the smuggling of contraband liquors from bordering countries. The Government of Costa Rica (GOCR) reports that Costa Rica is primarily used as a bridge to send funds to and from other jurisdictions using, in many cases, companies or banks established in offshore financial centers.

Money laundering occurs across the formal financial sector; the non-financial sector, especially via both licensed and unlicensed money remitters; and within the free trade zones (FTZs). Nicaraguan nationals residing in Costa Rica send over \$200 million in remittances annually to family members in their home country, much of which is sent via unlicensed money remitters. Both these unlicensed and licensed money services businesses are a significant risk for money laundering and a potential mechanism for terrorist financing. In addition, Costa Rica's 35 FTZs, used by approximately 284 companies, are susceptible to money laundering. The smuggling of bulk currency across borders with Panama and Nicaragua is also prevalent. Trade-based money laundering, while utilized, has not been detected with the same frequency as the other typologies described above. The GOCR has not reported investigations of terrorism financing in 2011.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, credit institutions, and savings and loan cooperatives; pension funds; insurance companies and agents; money exchangers and remitters; trust managers, investment fund and safekeeping companies; issuers, sellers or redeemers of travelers checks and postal money orders; and securities dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 294 from January – September 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, credit institutions, and savings and loan cooperatives; pension funds; insurance companies and agents, money exchangers and remitters; trust managers, investment fund and safekeeping companies; issuers, sellers or redeemers of travelers checks and postal money orders; and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Nine from December 2010 to October 2011

Convictions: Two from December 2010 to October 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Costa Rica is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: <http://www.cfatf-gafic.org/mutual-evaluation-reports.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In October 2010, the Judicial Branch appointed a new Attorney General. As part of a subsequent restructuring, in December 2010, the Attorney General's Office (AGO) transferred the prosecution of money laundering cases from the Organized Crime Bureau to the Economic Crimes Bureau. In addition, the Attorney General appointed a new bureau chief to the renamed Economic Crimes, Taxation, and Money Laundering Bureau. Based on these changes, beginning in January 2011, there has been a significant emphasis placed on money laundering investigations, including those involving advanced typologies and transnational crime. Nevertheless, the AGO and the Judicial Police still lack adequate resources to effectively investigate and prosecute many of the complex money laundering cases linked to Costa Rica.

Moreover, the legal doctrine of “self-laundering” (autolavado in Spanish) prevents prosecutors from charging money laundering in many cases. Under Costa Rican law, a person who commits a predicate crime and who subsequently launders the proceeds of that crime cannot be charged with money laundering as an additional offense (e.g., a drug dealer who is convicted on drug charges cannot also be prosecuted for laundering the drug proceeds). In Costa Rica, money launderers oftentimes use legitimate businesses and shell corporations to launder illegal proceeds. However, criminal liability does not extend to legal persons.

Land-based casinos and internet gaming companies are effectively not regulated in Costa Rica and represent a significant risk for money laundering. The online gaming industry transacts billions of dollars annually and employs thousands of Costa Rican nationals. Most of its proceeds are laundered in offshore centers but millions of dollars still circulate in Costa Rica.

The GOCR reports that Costa Rican attorneys oftentimes conduct large cash purchases of real estate on behalf of persons located in the United States. While many of these transactions appear legal, the GOCR has concerns that some of the international wire transfers ostensibly for

legitimate real estate transactions are, in fact, the proceeds of illegal activities in the United States.

In 2011, the GOCR pursued its first case under the 2009 civil forfeiture law. The presiding judge subsequently referred the case to the Costa Rican Supreme Court for an advisory opinion which has yet to be issued. It is still unclear whether the GOCR will assist other countries in obtaining non-conviction-based forfeiture.

While it has demonstrated a genuine commitment to strengthening its anti-money laundering/counter-terrorist financing (AML/CFT) regulatory regime, the GOCR has not fully implemented recently enacted risk-based regulations. The GOCR and its regulators have focused considerable attention on the formal financial sector; however, they have not adequately supervised money service businesses, especially money remitters, and issuers, sellers or redeemers of travelers checks and postal money orders. While the FIU is tasked with oversight authority with respect to these entities, it lacks the resources, personnel, or capacity to comply with this mandate. Additionally, designated non-financial businesses and professions (DNFBPs), such as dealers of precious stones and metals, accountants, real estate agents, lawyers and notaries, are not covered by the AML/CFT provisions.

Curacao

In late 2010, Curacao became a new autonomous country within the Kingdom of the Netherlands. Curacao enjoys a high degree of autonomy on most internal matters but defers to the Kingdom of the Netherlands (KON) in matters of defense, foreign policy, final judicial review, human rights, and good governance. Curacao is a regional financial center and a transshipment point for drugs from South America bound for the United States and Europe. Money laundering is primarily related to proceeds from illegal narcotics. Money laundering organizations can take advantage of banking secrecy and use offshore banking and incorporation systems, economic zone areas, and resort/casino complexes to place, layer and launder drug proceeds. Another possible area of money laundering activity may be through wire transfers between the island and the Netherlands. Bulk cash smuggling is a continuing problem due to the close proximity of Curacao to South America.

Curacao has two free economic zones. It is not known to what extent “contrabanding” (using bulk cash to buy actual products which are shipped to South America and sold, thus legitimizing the profits) occurs. The worldwide financial recession has significantly slowed the economic activities of the zones. Curacao has an active “e-zone” which provides potential e-commerce investors a variety of tax saving opportunities and could be vulnerable to illegal activities.

Curacao’s offshore financial sector consists of trust service companies providing financial and administrative services to an international clientele, including offshore companies, mutual funds, and international finance companies. The extent of this sector is not clear, but it has declined in scale due to the worldwide financial crisis. Banking regulations require international banks to have a physical presence and maintain records on the island. Bearer shares of international companies must be kept in custody and onshore companies are not allowed to have bearer shares. Several casinos and Internet gaming companies operate.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Onshore and offshore banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies and brokers, trust companies and other service providers, casinos, customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, administration offices, tax advisors, lawyers, and accountants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Local and international banks, saving banks, money remitters, credit card companies, credit unions, life insurance companies, insurance brokers, company and other service providers, casinos, customs, lawyers, notaries, accountants, tax advisors, jewelers, car dealers, real estate agents, administration offices, and other tax, legal, and accountancy experts

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 24 - January - May 2010

Convictions: 23 - January - May 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Curacao is a member of the Caribbean Financial Action Task Force, (CFATF), a Financial Action Task Force-style regional body. The first AML/CFT evaluation of Curacao occurred in August/September of 2011. Once adopted, the mutual evaluation report will be found here: <http://www.cfatf-gafic.org/mutual-evaluation-reports.html>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

A new penal code was passed by parliament and was to be published on November 15, 2011. Terrorism financing is now specifically criminalized and legal persons are subject to criminal and administrative penalties.

Curacao should ensure that it continues its regulation and supervision of the offshore sector and free trade zones, as well as pursuing money laundering investigations and prosecutions. Curacao should work to fully develop its capacity to investigate and prosecute money laundering and terrorist financing cases.

The Mutual Legal Assistance Treaty between the KON and the U.S. applies to Curacao; however, the treaty is not applicable to requests for assistance relating to fiscal offenses addressed to the Netherlands Antilles.

Curacao is part of the Kingdom of the Netherlands and cannot sign or ratify international conventions in its own right. Rather, the Netherlands may arrange for the ratification of any convention to be extended to Curacao. The 1988 Drug Convention was extended to Curacao in 1999. The International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to Curacao on March 22, 2010. The UN Convention against Transnational Organized Crime and the UN Convention against Corruption have not yet been extended to Curacao.

Cyprus

Since 1974, Cyprus has been divided de facto into the government-controlled two-thirds of the island and the Turkish Cypriot-administered one-third. The Government of the Republic of Cyprus (ROC) has continued to be the only internationally recognized authority; in practice, its authority extends only to the government-controlled area. In 1983, the Turkish Cypriots declared an independent “Turkish Republic of Northern Cyprus” (“TRNC”). The United States does not recognize the “TRNC,” nor does any country other than Turkey. This section of the report discusses the area controlled by the ROC. A separate section on the area administered by Turkish Cypriots follows.

Cyprus is a major regional financial center with a robust financial services industry and a significant amount of nonresident businesses. A number of factors have contributed to the development of Cyprus as a financial center: a preferential tax regime; double tax treaties with 44 countries (including the United States, several European Union (EU) nations, and former Soviet Union nations); well developed and modern legal, accounting and banking systems; a sophisticated telecommunications infrastructure; and EU membership. There are no legal or substantive distinctions between domestic and offshore companies. Cyprus has also lifted the prohibition from doing business domestically, and companies formerly classified as offshore are now free to engage in business locally. International business companies are allowed to be registered in Cyprus but their ultimate beneficial ownership must be disclosed to the authorities. There are over 240,000 companies registered in Cyprus, many of which belong to non-residents. The same disclosure, reporting, tax and other laws and regulations apply equally to all registered companies.

Like any financial center, Cyprus faces risks from money laundering and illicit finance activities. The Cypriot authorities are aware of those risks and take legislative and other measures to counter and suppress such activities. The biggest threats for money laundering are primarily from simple financial crime domestically and tax evasion internationally. There is no significant black market for smuggled goods in Cyprus. What little black market trade exists is usually related to small scale transactions, typically involving fake clothing, pirated CDs/DVDs and cigarettes moved across the UN-patrolled buffer zone separating the ROC from the “TRNC”.

Cyprus has three free trade zones (FTZs). Two, located in the main seaports of Limassol and Larnaca, are used only for transit trade, while the third, located near the international airport in Larnaca, can also be used for repacking and reprocessing. These areas are treated as being outside normal EU customs territory. Consequently, non-EU goods placed in FTZs are not subject to any import duties, VAT or excise tax. FTZs are governed under the provisions of relevant EU and Cypriot legislation. The Department of Customs has jurisdiction over all three areas and can impose restrictions or prohibitions on certain activities, depending on the nature of the goods.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, cooperative credit institutions, securities and insurance firms, payment institutions including money transfer businesses, trust and company service providers, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, and in certain cases, attorneys

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 510 in 2010

Number of CTRs received and time frame: Not available

STR covered entities: Banks, cooperative credit institutions, securities and insurance firms, payment institutions including money transfer businesses, trust and company service providers, auditors, tax advisors, accountants, real estate agents, dealers in precious stones and gems, and in certain cases, attorneys, plus any person who in the course of his profession, business or employment knows or reasonably suspects that another person is engaged in money laundering or terrorist financing activities

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 41 in 2010

Convictions: 15 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Cyprus is a member of the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial

Action Task Force-style regional body (FSRB). Its most recent mutual evaluation report can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Cyprus_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There are no legal issues hampering Cyprus' ability to assist foreign governments in mutual legal assistance requests. Cypriot law allows MOKAS, the Cypriot financial intelligence unit (FIU) to share information with other FIUs without benefit of a memorandum of understanding (MOU).

Cyprus has enacted comprehensive legislation and established systems for identifying, tracing, freezing, seizing, and forfeiting narcotics-related assets and assets derived from other serious crimes. Like most EU countries, though, Cyprus has no provisions allowing civil forfeiture of assets without a criminal case. The police and the FIU are responsible for tracing, seizing and freezing assets and they fully enforce existing legislation. Cyprus has an independent national system and mechanism for freezing terrorist assets, and has also engaged in bilateral and multilateral negotiations with other governments to enhance its asset tracking and seizure system.

Area Administered by Turkish Cypriots

The Turkish Cypriot community continues to lack the legal and institutional framework necessary to provide effective protection against the risks of money laundering, although significant progress has been made in recent years with the passage of "laws" better regulating the onshore and offshore banking sectors and casinos. There are currently 21 domestic banks in the area administered by Turkish Cypriots and Internet banking is available.

The offshore banking sector remains a concern. The offshore sector consists of 11 banks and 90 companies. The offshore banks may not conduct business with residents of the area administered by Turkish Cypriots and may not deal in cash. The "Central Bank" provides the regulation and licensing of offshore banks and audits the offshore entities, which must submit an annual report on their activities. The "law" permits only banks previously licensed by Organization for Economic Co-operation and Development (OECD)-member nations or Turkey to operate an offshore branch in northern Cyprus.

The Turkish Cypriot community is not part of any FSRB and thus is not subject to normal peer evaluations. Turkish Cypriot authorities have taken steps to address the risk of financial crime, including enacting an "anti-money laundering law ("AMLL")" for the area and formally establishing an FIU equivalent. The "AMLL" aims to reduce the number of cash transactions in the area administered by Turkish Cypriots as well as improve the tracking of any transactions above 10,000 Euros (approximately \$13,000).

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO

KYC covered entities: Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, lawyers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 105 in 2011 (as of October 30, 2011)

Number of CTRs received and time frame: Not available

STR covered entities: Banks, cooperative credit societies, finance companies, leasing/factoring companies, portfolio management firms, investment firms, jewelers, foreign exchange bureaus, real estate agents, retailers of games of chance, lottery authority, accountants, insurance firms, cargo firms, antique dealers, auto dealers, lawyers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO

With other governments/jurisdictions: YES – with Turkey only

The area administered by Turkish Cypriots is not a member of any FSRB.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Despite the 2009 promulgation of more strict “laws,” the 24 operating casinos (four in Nicosia, five in Famagusta and 15 in Kyrenia) remain essentially unregulated due to the lack of an enforcement or investigative mechanism by the casino regulatory body and efforts to decriminalize any failure by casinos to follow KYC regulations.

Banks and other designated entities must submit STRs to the “FIU”. The “FIU” then will forward any STRs to the five-member “Anti-Money Laundering Committee” which decides whether to further refer suspicious cases to the “attorney general’s office,” and then if necessary, to the “police” for further investigation. The five-member committee is composed of representatives of the “Ministry of Economy,” “Money and Exchange Bureau,” “Central Bank,” “police” and “customs”.

The Turkish Cypriot “AMLL” provides better banking regulations than were in force previously, but without ongoing enforcement its objectives cannot be met. A major weakness continues to be the many casinos, where a lack of resources and expertise leave the area essentially unregulated, and therefore, especially vulnerable to money laundering abuse. Amendments to a “law” to regulate potential AML activity in casinos that would essentially decriminalize failure to implement KYC rules have been pending for over one year. The largely unregulated consumer finance institutions and currency exchange houses are also of concern. The Turkish Cypriot authorities should continue efforts to enhance the “FIU,” and adopt and implement a strong licensing and regulatory environment for all obligated institutions, in particular casinos

and money exchange houses. Turkish Cypriot authorities should stringently enforce the cross-border currency declaration requirements. Turkish Cypriot authorities should continue steps to enhance the expertise of members of the enforcement, regulatory, and financial communities with an objective of better regulatory guidance, more efficient STR reporting, better analysis of reports, and enhanced use of legal tools available for prosecutions.

Dominican Republic

The Dominican Republic (DR) is not a major regional financial center, despite having one of the largest economies in the Caribbean. The DR continues to be a major transit point for the transshipment of illicit narcotics destined for the United States and Europe. The six international airports, 16 seaports and a large porous frontier with Haiti present Dominican authorities with serious challenges.

Corruption within the government and the private sector, the presence of international illicit trafficking cartels, a large informal economy, and a fragile formal economy make the DR vulnerable to money laundering and terrorist financing threats. The large informal economy is a significant market for illicit or smuggled goods. The under-invoicing of imports and exports by DR businesses is a relatively common practice for those seeking to avoid taxes and customs fees. U.S. law enforcement believes there is some evidence that arms smuggling across Dominican borders has reached systemic levels as there are identifiable networks smuggling weapons into the DR from the U.S. The increase in drug related violence throughout the DR is partially attributable to arms trafficking as evidenced by the seizures of illicit weapons at ports of entry over the past year. The major sources of laundered proceeds stem from illicit trafficking activities, tax evasion and fraudulent financial activities, particularly transactions with forged credit cards.

There are no reported hawala or other money or value transfer services operating in the DR. A significant number of remittances are transferred through banks. Casinos are legal in DR and unsupervised gaming activity represents a significant money laundering risk. While the country has a law creating an international financial zone, implementing regulations will not be issued until the law is reformed to avoid perceptions that the zone will be left out of the DR's AML regulatory regime.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES
KYC covered entities: Banks, currency exchange houses, securities brokers, cashers of checks or other types of negotiable instruments, issuers/sellers/cashers of travelers checks or

money orders, credit and debit card companies, remittance companies, offshore financial service providers, casinos, real estate agents, automobile dealerships, insurance companies, and dealers in firearms and precious metals

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, securities dealers, art or antiquity dealers, jewelers and precious metals vendors, attorneys, financial management firms and travel agencies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 12 in 2011

Convictions: Seven in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

The Dominican Republic is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.cfatf-gafig.org/downloadables/mer/Dominican_Republic_3rd_Round_MER_%28Final%29_English.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The DR has made progress on the functioning of its financial intelligence unit (FIU), but problems remain. Progress includes greater clarity on the areas covered by disclosure and reporting requirements; however, there remains a lack of publicly available information about the numbers of reports submitted by the various reporting sectors.

The DR also strengthened its laws on PEPs and correspondent relationships but international experts have outlined key weaknesses to address. In addition, the DR urgently needs to pass regulations to provide safe harbor protection for STR filers and criminalize tipping off. The government also should work to better regulate casinos and non-bank businesses and professions, in particular real estate companies, and strengthen regulations for financial cooperatives and insurance companies.

The DR's asset forfeiture regime is improving but has weaknesses because it does not cover confiscation of instrumentalities intended for use in the commission of a money laundering offense; property of corresponding value; and income, profits, or other benefits from the proceeds of crime. The DR should implement legislation to bring its asset forfeiture regime up to international standards.

In July 2011, Dominican authorities announced they had dismantled the core of a narcotics trafficking and money laundering organization based in the DR. The alleged profits from the narcotrafficking operation were laundered using banks and other financial instruments throughout the Western Hemisphere. The group allegedly had branches in Canada, Colombia,

Venezuela, Jamaica and elsewhere. The investigation was coordinated by agents from the DR, Central America, South America, North America, and Interpol.

The Egmont Group expelled the FIU in 2006 due to a lack of compliance with the definition of an FIU. To date, the FIU has not been reinstated into that worldwide organization. This seriously hinders U.S. law enforcement in the exchange of information with its Dominican counterparts through the two countries' FIUs. The Egmont Group has specified the formal steps the DR would need to take to re-apply for Egmont membership, thereby allowing the FIU to efficiently and securely share sensitive financial information with the Financial Crimes Enforcement Network (FinCEN), the U.S. FIU, as well as with the rest of the Egmont membership. However, there are still impediments in the Dominican law keeping the FIU from being considered for membership, such as Law 480/08 which enables the creation of another FIU-like organization to regulate international financial zones. The DR should modify the law to eliminate the possibility of a second FIU, and re-apply for membership in the Egmont Group.

France

France remains an attractive venue for money laundering because of its sizable economy, political stability, and sophisticated financial system. Narcotics and human trafficking, smuggling, and other crimes associated with organized crime are among its vulnerabilities.

France can designate portions of its customs territory as free trade zones and free warehouses in return for commitments in favor of employment. France has taken advantage of these regulations in several specific instances. The French Customs Service administers these zones.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, credit institutions, money-issuing institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance brokers and intermediaries, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, and companies involved in sports bets and horse-racing tips

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 20,252 in 2010

Number of CTRs received and time frame: Not available

STR covered entities: Banks, credit institutions, money-issuing institutions, investment firms, money exchangers, investment management companies, mutual insurers and benefit institutions, insurance brokers and intermediaries, notaries, receivers and trustees in bankruptcy, financial investment advisors, real estate brokers, chartered accountants, auditors, dealers in high-value goods, auctioneers and auction houses, bailiffs, lawyers, participants in stock exchange settlement and delivery, commercial registered office providers, gaming centers, and companies involved in sports bets and horse-racing tips

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 276 in 2010

Convictions: 35 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

France is a member of the Financial Action Task Force (FATF). France is also a Cooperating and Supporting Nation to the Caribbean Financial Action Task Force (CFATF), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/3/18/47221568.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The French government has a comprehensive anti-money laundering/counter-terrorist financing (AML/CFT) regime and is an active partner in international efforts to control money laundering and terrorist financing. France maintains the ability to designate individuals or entities under French domestic authorities in addition to those designated by European Union (EU) regulations. France and the United States have exchanged large amounts of data in connection with money laundering and terrorist financing. France still does not have the capacity to share forfeited assets with other jurisdictions.

France applies the 2006/70/CE European Union directive by which politically exposed persons from the EU states may benefit from simplified vigilance procedures, but only in a limited number of cases.

In September 2011 the Prudential Control Authority (ACP) took several measures to improve its ability to fight money laundering and terrorism financing. The ACP has provided guidelines to help financial institutions define and research “the effective beneficiary” of money laundering or terrorism financing. The ACP also has defined new reporting obligations for money exchangers.

France should continue its active participation in international organizations and its outreach to lower-capacity recipient countries to combat the domestic and global threats of money laundering and terrorist financing.

Germany

While not an offshore financial center, Germany is one of the largest financial centers in Europe. Although not a major drug producing country, Germany continues to be a consumer and a major transit hub for narcotics. Organized criminal groups involved in drug trafficking and other illegal activities are an additional source of laundered funds in Germany. Trends in money laundering include electronic payment systems; financial agents, i.e., persons who are solicited to make their private accounts available for money laundering transactions; and trade in CO₂ emission certificates. Free Zones of control type I exist in Bremerhaven, Cuxhaven, and Hamburg, i.e., freeports. Deggendorf and Duisburg are control type II Free Zones (unfenced inland ports).

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Both
Legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Credit institutions, financial services institutions, payment institutions and e-money institutions as well as their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 11,042 in 2010
Number of CTRs received and time frame: Not applicable
STR covered entities: Credit institutions, financial services institutions, payment institutions and e-money institutions as well as their agents; financial enterprises; insurance companies and intermediaries; investment companies; lawyers, legal advisers, auditors, chartered accountants, tax advisers and tax agents; trust or company service providers; real estate agents; casinos; and persons trading in goods

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 684 in 2010
Convictions: 606 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

Germany is a member of the Financial Action Task Force. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/44/19/44886008.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Germany strengthened its AML/CFT regime in 2011, including by: amending AML/CFT provisions governing the financial sector through the Act to Implement the Second E-Money Directive which entered into force at the end of April 2011; extending the list of predicate offenses to include market manipulation, product piracy and insider trading through the Act to Improve the Combating of Money Laundering and Tax Evasion, effective May 3, 2011; clarifying the powers - such as the right to obtain information and enter premises - of the supervisory authorities responsible for non-financial institutions; and submitting the draft Act to Optimize the Prevention of Money Laundering to the German parliament, with adoption envisaged before the end of 2011. While Germany has no automatic CTR requirement, large currency transactions frequently trigger a STR.

Tipping off is a criminal offense only if it is committed with the intent to support money laundering or obstruct justice, and applies only to previously-filed STRs. Otherwise, it is an administrative offense that carries a fine of up to € 50,000 (approximately \$68,000) under the Money Laundering Act; draft legislation would increase the fine up to € 100,000 (approximately \$133,000). Legal persons are only covered by the Administrative Offenses Act, and are not criminally liable under the Criminal Code.

The numbers of prosecutions and convictions included in this report only reflect cases in which the money laundering violation carried the highest penalty of all the crimes of which the offender was convicted.

Notably, on March 10, 2011, a German-Lebanese criminal group was sentenced for laundering money from narcotics sales throughout Europe by transporting it to Lebanon. Assets amounting to € 9.2 million (approximately \$12.271 million) were forfeited. Germany has no federal statistics on the amount of assets forfeited in criminal money laundering cases. Assets can be forfeited as part of a criminal trial or through administrative procedures such as claiming back taxes.

Germany should become a party to the UN Convention against Corruption.

Greece

Greece is considered to be a regional financial center in the developing Balkans, as well as a bridge between Europe and the Middle East. Official corruption, the presence of organized crime, and a large shadow economy make the country vulnerable to money laundering and terrorist financing. Greek law enforcement proceedings indicate that Greece is vulnerable to narcotics trafficking, trafficking in persons and illegal immigration, prostitution, smuggling of cigarettes and other contraband, serious fraud or theft, illicit gaming activities, and large scale tax evasion. Anecdotal evidence of illicit transactions suggests an increase in financial crimes in the past few years and that criminal organizations (some with links to terrorist groups)

increasingly are trying to use the Greek banking system to launder illicit proceeds. Criminally-derived proceeds historically are most commonly invested in real estate, the lottery, and the stock market. Criminal organizations from southeastern Europe and the Balkan region are responsible for a large percentage of the crime that generates illicit funds. The widespread use of cash facilitates a gray economy as well as tax evasion, though as part of Greece's reform commitments under its European Union (EU)-IMF bailout program, the government is trying to crack down on both trends. Due to the large informal economy – estimated by the Organization for Economic Co-operation and Development and others to be between 25 and 37 percent of GDP – it is difficult to determine the value of goods smuggled into the country, including whether any of the smuggled goods are funded by narcotic or other illicit proceeds. There is increasing evidence that domestic terrorist groups are involved with drug trafficking.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: A combination of a list of predicate offenses and a threshold approach

Legal persons covered: ***criminally:*** NO ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO

KYC covered entities: Banks, savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, *bureaux de change*, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors, and audit firms; tax consultants, tax experts, and related firms; real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auction houses, dealers in high value goods, auctioneers, and pawnbrokers; notaries, lawyers, and persons providing services to companies and trusts

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 3,479 in 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, savings banks, and cooperative banks; credit companies, money remitters, financial leasing and factoring companies, *bureaux de change*, and postal companies; stock brokers, investment services firms, and collective and mutual funds; life insurance companies and insurance intermediaries; accountants, auditors and audit firms; tax consultants, tax experts and related firms; real estate agents and companies; casinos (including internet casinos) and entities engaging in gaming activities; auction houses, dealers in high value goods, auctioneers, and pawnbrokers; notaries, lawyers, and persons providing services to companies and trusts

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 134 in 2011

Convictions: 58 in the first half of 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Greece is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-afi.org/document/23/0,3343,en_32250379_32236963_38916695_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of Greece (GOG) has been working to improve the effectiveness of the Greek financial intelligence unit (FIU). Greek authorities have hired sufficient staff to carry out the extensive functions with which the FIU is tasked. The GOG has also made available adequate financial resources to ensure the FIU is able to fulfill its responsibilities, ensure its powers are in line with the international standards related to a financial intelligence unit, and ensure its technical and data management systems and capacities support its functions.

Greece still needs to ensure that its confiscation regime is more effectively implemented and used. While the 2008 anti-money laundering/countering the financing of terrorism (AML/CFT) law contains provisions allowing civil asset forfeiture under special circumstances, Greek authorities advise it is not practical to launch civil procedures and currently do not do so. The government also should develop an arrangement for the sharing of seized assets with third party jurisdictions that assist in the conduct of investigations.

In March 2011, an amendment to the 2008 AML/CFT law (Law 3932/A49/10-3-2011) established a new entity, the Financial Sanctions Unit (FSU). The FSU is tasked with designating terrorists in accordance with UNSCR 1373, outside the EU listing system, and issuing executive orders to freeze the assets of internationally designated terrorists. It is unclear if the executive order procedure applies to suspected terrorists designated domestically. The GOG has provided guidance to financial institutions and designated non-financial businesses and professions on freezing assets without delay, and has begun to monitor for compliance, though the effectiveness of the monitoring is still undetermined. The GOG is authorized to impose sanctions on entities for noncompliance with freeze orders.

While Greece has made positive strides in the supervision area, particularly with its transfer of supervisory powers over the insurance sector to the Bank of Greece, a shortage of personnel at the Hellenic Capital Markets Commission (which supervises securities firms, brokers, other financial intermediaries, and clearing houses) remains, but is difficult to address in light of a general hiring freeze in the public sector due to Greece's debt crisis. It also remains unclear whether the Ministry of Justice has enough resources available to deal with money laundering or terrorist finance related cases.

The GOG has instituted regulatory measures requiring that transactions above €3,000 (approximately \$3,850) be executed with credit cards, checks or cashiers' checks and that all business-to-business transactions in excess of €3,000 (approximately \$3,850) be carried out through checks or bank account transfers. All credit and financial institutions, including

payment institutions, must also report on a monthly basis all transfers of funds abroad executed by credit card, check or wire transfer. Nevertheless, the GOG should adopt a system for reporting large currency transactions across all regulated sectors and explicitly abolish company-issued bearer shares. It should also continue to improve enforcement of its cross-border currency reporting requirements and improve efforts to deter the smuggling of currency across its borders. Greece also should ensure that companies operating within its free trade zones are subject to the same level of enforcement of AML/CFT controls as other sectors and work steadfastly to bring charitable and nonprofit organizations under the AML/CFT regime.

Guatemala

Guatemala is not considered a regional financial center. It continues to be a transshipment route for South American cocaine and heroin destined for the United States and for returning cash to South America. Smuggling of the precursors to methamphetamine is also a problem. Reports suggest the narcotics trade is increasingly linked to arms trafficking.

Historically weak law enforcement and judiciary systems coupled with endemic corruption and increasing organized crime activity contribute to a favorable climate for significant money laundering in Guatemala. According to law enforcement agencies, narcotics trafficking and corruption are the primary sources of money laundered in Guatemala; however, the laundering of proceeds from other illicit activities, such as human trafficking, firearms, contraband, kidnapping, tax evasion, and vehicle theft, is substantial. There is no indication of terrorist financing activities.

Guatemala's geographic location makes it an ideal haven for transnational organized crime groups, including human and drug trafficking organizations. The Central America Four Agreement between El Salvador, Guatemala, Honduras, and Nicaragua allows for free movement of the citizens of these countries across their respective borders without passing through immigration or customs inspection. As such, the agreement represents a vulnerability to each country for the cross-border movement of contraband and illicit proceeds of crime.

There is a category of "offshore" banks in Guatemala in which the money of the customers (usually Guatemalans with average deposits of \$100,000) is legally considered to be deposited in the foreign country where the bank's head office is based. In 2010, there were seven "offshore" entities, with head offices in Panama, the Bahamas and Puerto Rico. These "offshore" banks are subject to the same AML/CFT regulations as any local bank. Guatemala has 17 active free trade zones (FTZs) and six more are supposed to start operations soon. They are mainly used to import duty-free goods utilized in the production of products for exportation. There are no known cases or allegations that indicate the FTZs are hubs of money laundering or drug trafficking. There are no reported hawala or other money or value transfer services operating in Guatemala. A significant number of remittances are transferred through banks and appear to pose little risk for money laundering.

Casinos are not legal in Guatemala, however, a number of casinos, games of chance and video lotteries operate, both onshore and offshore. Unsupervised gaming activity represents a significant money laundering risk.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks; finance and leasing companies; credit card cooperatives, issuers, or payment agents; stock brokers; insurance companies; money remitters and exchanges; pawnbrokers; notaries and accountants; tax advisors and lawyers; casinos, raffles and games of chance; dealers in precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 421 in 2011 (as of October 31, 2011)

Number of CTRs received and time frame: 5,502,434 in 2011 (as of September 30, 2011)

STR covered entities: Banks; finance and leasing companies; credit card cooperatives, issuers, or payment agents; stock brokers; insurance companies; money remitters and exchanges; pawnbrokers; notaries and accountants; tax advisors and lawyers; casinos, raffles and games of chance; dealers in precious metals and stones, motor vehicles, and art and antiquities; and real estate agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 59 in 2011

Convictions: Ten people in eight cases in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Guatemala is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/Guatemala_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Guatemala_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

There are relatively few convictions for money laundering, most of which are for the illegal transport of cash. The inadequate number of staff at the FIU and the limited capacity of law enforcement officials may hamper the ability of the authorities to prosecute more cases.

In December 2009, former President Alfonso Portillo was indicted on one count of conspiracy to commit money laundering in the United States. On August 26, 2011, Guatemala’s Constitutional Court unanimously upheld the U.S. request to extradite former President Portillo on that charge. The Public Ministry is still awaiting the outcome of its appeal of Portillo’s May 9 acquittal on

embezzlement charges in Guatemala, and the extradition remains pending based on the outcome of that case.

Law enforcement agencies report that money laundering continued to increase during the year, especially by groups of air travelers heading to countries such as Panama with slightly less than the amount of the Guatemalan reporting requirement (\$10,000), and a large number of small deposits in banks along the Guatemalan border with Mexico. A new law regarding asset forfeitures took effect in June 2011 and allows Guatemalan authorities to seize cash used in structuring transactions and transfer it to the state without first having to obtain a criminal conviction against the courier. The same law also prevents new businesses from issuing bearer shares of stock. The law requires any existing business with bearer shares to convert the shares to nominative by June 2013, but it is not clear what the consequences will be for failure to do so.

In October 2010, Guatemalan monetary authorities approved a regulation to establish limits for cash deposits in foreign currency, notably requiring more information and bank certification for transactions totaling over \$3,000 per month. According to law enforcement authorities, purchases of foreign currency declined 34% during the first eight months of 2011, which they attribute to the new regulation.

The government should either enforce the law with regard to casinos or work to regulate them under the AML law, as are lotteries and raffles. Attempts by the government to enforce requirements have not been successful. Lotteries and raffles are subject to local jurisdiction licensing but are not subject to AML/CFT supervision.

Guernsey

The Bailiwick of Guernsey (the Bailiwick) encompasses a number of the Channel Islands (Guernsey, Alderney, Sark, and Herm). As a Crown Dependency of the United Kingdom (UK), it relies on the UK for its defense and international relations. Alderney and Sark have their own separate parliaments and civil law systems. Guernsey's parliament legislates in matters of criminal justice for all of the islands in the Bailiwick. The Bailiwick is a sophisticated financial center, and authorities undertake efforts to reduce vulnerability to money laundering.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, lending firms, financial instrument issuers and managers, and money service businesses; insurance companies and intermediaries; investment firms and funds, safekeeping and portfolio management services; trust and company service providers;

lawyers, accountants, notaries, and estate agents; dealers of precious metals and stones; and eGambling services

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,136 in 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: All businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2010

Convictions: Two in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

The IMF's December 2010 "Detailed Assessment Report on Anti-Money Laundering and Combating the Financing of Terrorism" for the Bailiwick of Guernsey can be found at: <http://www.imf.org/external/pubs/ft/scr/2011/cr1112.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Bailiwick has been actively involved in the provision of formal mutual legal assistance for many years. The authorities consider themselves able to provide assistance without the need to enter into mutual legal assistance treaties, and this has enabled compliance with requests from a wide range of jurisdictions, including the US, using the full range of investigatory powers in the law. The legal framework provides an ability to freeze and confiscate assets in appropriate circumstances.

Guernsey's comprehensive AML/CFT legal framework provides a sound basis for an effective AML/CFT regime, and remaining shortcomings are technical in nature. While no shortcomings have been identified in the legal framework, concerns remain with respect to the implementation of the money laundering provisions. Given the size of the Bailiwick's financial sector and its status as an international financial center, the modest number of cases involving money laundering by financial sector participants and the small number of money laundering cases resulting in convictions raises questions concerning the effective application of money laundering provisions.

Guernsey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for the Bailiwick's international affairs and, at Guernsey's request, may arrange for the ratification of any Convention to be extended to the Bailiwick. The UK's ratification of the 1988 UN Drug Convention was extended to include the Bailiwick on April 3, 2002; its ratification of the UN Convention against Corruption was extended to include Guernsey on November 9, 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Guernsey on September 25, 2008. The UK has not extended the UN Convention against Transnational Organized Crime to the Bailiwick.

Guinea-Bissau

Guinea-Bissau has repeatedly, over the past few years, been called a ‘narco-state’. Although President Sanha has declared the problem a top priority for his administration, the Government of Guinea-Bissau (GOGB) is not in full compliance with international conventions against money laundering and terrorist financing because of inadequate resources, weak border controls, and competing national priorities. The multitude of small offshore islands and a military able to sidestep government with impunity has made it a favorite trans-shipment point for drugs. Drug barons from Latin America and their collaborators from the region and other parts of the world have taken advantage of the extreme poverty, unemployment, political instability, lack of effective customs and law enforcement, and general insecurity to make the country a major transit point for cocaine destined to consumer markets, mainly in Europe. Of all West African countries, none has been so thoroughly penetrated and corrupted by Latin American drug cartels as Guinea-Bissau. One of the poorest countries in the world, the value of the illicit narcotics trade in Guinea-Bissau is much greater than its national income. Using threats and bribes, drug traffickers infiltrate state structures and operate with impunity.

The police have seized a number of major drug shipments in past years, and representatives of the state have been linked to drug trafficking networks. Some of the arrested traffickers and seized drugs later vanished from the state’s prisons and coffers, with no explanation forthcoming from the Bissau-Guinean authorities. A major bank operating in Guinea-Bissau reportedly had significant involvement in the laundering of proceeds from drug trafficking between South America and Europe/the Middle East via Guinea-Bissau.

The formal financial sector in Guinea-Bissau is undeveloped and badly supervised. It is also dwarfed by the size of the informal and cash sectors in addition to the underground economy. The cohesion and effectiveness of the state itself is very poor: the police are under-resourced and understaffed; corruption is a major problem; and the judiciary has reportedly demonstrated a lack of integrity on a number of occasions. Many government offices, including the justice ministry, lack basic resources, such as electricity, to function.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes approach
Legal persons covered: criminally: YES *civily:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES
KYC covered entities: Banks, microfinance institutions, exchange houses, securities firms, insurance companies, casinos, brokerages, charities, nongovernmental organizations (NGOs), and intermediaries such as lawyers, accountants, notaries and broker/dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Banks, microfinance institutions, exchange houses, securities firms, insurance companies, casinos, brokerages, charities, nongovernmental organizations (NGOs), and intermediaries such as lawyers, accountants, notaries and broker/dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** NO

With other governments/jurisdictions: NO

Guinea-Bissau is a member of the Intergovernmental Action Group against Money Laundering in West Africa (GIABA), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:

<http://www.giaba.org/index.php?type=c&id=45&mod=2&men=2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Anti-Money Laundering Uniform Law, a required law for members of the Economic Community of West African States (ECOWAS), is not implemented effectively. There is still no financial intelligence unit (FIU) in operation, making much of the legislation unable to be implemented.

GOGB authorities expect to establish an FIU soon. The GOGB should ensure resources are available to sustain the FIU's capacity and should put in place and train its staff. It also should work to improve the training and capacity of its police and judiciary to combat financial crimes. Guinea-Bissau needs assistance to finance, staff, train and equip its justice and police departments. Although the law establishes asset forfeiture authorities and provides for the sharing of confiscated assets, a lack of coordination mechanisms to seize assets and facilitate requests for cooperation in freezing and confiscation from other countries hampers cooperation.

Article 26 of National Assembly Resolution No. 4 of 2004 stipulates that if a bank suspects money laundering it must obtain a declaration of all properties and assets from the subject and notify the Attorney General, who must then appoint a judge to investigate. The bank's solicitation of an asset list from its client could also amount to tipping off the subject. Reportedly, banks are reluctant to file STRs because of the fear of tipping off by an allegedly indiscrete judiciary.

Guinea-Bissau needs to improve the coordination of efforts at the national, sub-regional, regional and international levels, reforming the country's institutions. The GOGB should continue to work with its partners in GIABA, ECOWAS and other organizations to establish and implement an effective anti-money laundering/counter-terrorist financing (AML/CFT) regime. The government needs urgent help to restore sovereignty, administer justice and regain control of its borders. The GOGB should ensure the sectors covered by its AML law have implementing regulations and competent authorities to ensure compliance with the law's requirements. It should also amend its terrorist financing law to comport with international standards. Guinea-Bissau should undertake efforts to eradicate systemic corruption.

The GOGB should become a party to the UN Convention for the Suppression of the Financing of Terrorism, and the UN Conventions against Corruption and Transnational Organized Crime.

Haiti

Haiti is the poorest country in the Western Hemisphere and relies heavily on remittances from abroad. Haitian organized crime groups are engaged in drug trafficking and other criminal and fraudulent activity, but do not at this time appear to be involved in terrorist financing. While not a major financial center itself, regional money laundering enterprises utilize Haitian couriers, especially via air hub routes to Central America.

The weakness of the Haitian judicial system and prosecutorial mechanism continues to leave the country vulnerable to corruption and money laundering despite improving financial intelligence and enforcement capacity. A positive development in this regard was the naming of a President of Haiti's Supreme Court in October.

Haiti has one operational free trade zone in Ouanaminthe and two under development in Port-au-Prince. It is believed "contrabanding" (using smuggled bulk cash to buy products which are shipped to South America and sold) could be a problem. There are at least 62 casinos in Haiti, the majority unlicensed; however, online gaming is illegal.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

KYC covered entities: All natural and legal persons who, as part of their profession, perform, oversee, or advise operations involving deposits, trading, investments, conversions, or any other movement of capital

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 49 from January 1 to October 19, 2011

Number of CTRs received and time frame: 244,297 from January 1 to October 19, 2011

STR covered entities: All natural and legal persons who, as part of their profession, perform, oversee, or advise operations involving deposits, trading, investments, conversions, or any other movement of capital

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** NO

With other governments/jurisdictions: YES

Haiti is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/Haiti_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Haiti_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In the spring of 2011, concerns were raised on the effectiveness of law enforcement and customs in the wake of a U.S.-Panamanian law enforcement operation which traced over \$100 million in cash arriving annually from Haiti to Panama via scheduled commercial airline flights. Neither the Haitian banking sector nor customs officials at Port-au-Prince's international airport were aware of these transfers that averaged \$25,000 per passenger and over \$1 million per flight.

The Government of Haiti (GOH) remains hampered by ineffective and outdated criminal and criminal procedural codes, and by the inability of judges and courts to address cases referred for prosecution. The government should move ahead on the proposed new criminal and criminal procedural codes that would address these problems. The GOH should pass the anti-terrorist legislation that has been submitted to Parliament which would criminalize terrorist financing and allow the immediate freezing of terrorist assets without delay.

Haiti's AML law is written quite broadly and does not explicitly cover the types of entities addressed in the international standards. Implementation of the current law appears to cover only the banking industry. Financial entities not supervised by the Central Bank and designated non-financial businesses and professions are not subject to supervisory oversight and/or have not received appropriate training regarding their AML/CFT responsibilities. Haiti's AML law should be rewritten or amended to explicitly detail the types of entities subject to the law, as proscribed in the international standards.

The amount of STRs is extremely low and only the banking sector submits reports. The Central Financial Intelligence Unit (UCREF) is ineffective due to its limited budget, lack of staff training and integrity, broad interpretation of the law, lack of autonomy, and limited access to foreign counterparts' information. The government should fully fund UCREF and other anti-money laundering entities. UCREF should become fully operational and should seek membership in the Egmont Group of FIUs so that it can effectively share sensitive financial information with its foreign counterparts.

The Haitian government's assistance to the U.S. Government was instrumental in obtaining, among other charges, money laundering and bribery convictions against several U.S. residents in a scheme involving the use of shell companies and false records to attempt to provide over \$890,000 in bribes to Haitian officials.

Hong Kong

Hong Kong, a Special Administrative Region (SAR) of the People's Republic of China, is a major international financial and trading center. As of September 2011, Hong Kong's stock market was the world's seventh largest and Asia's third largest, with \$2.08 trillion in market capitalization. Already the world's tenth largest banking center in terms of external transactions and the sixth largest foreign exchange trading center, Hong Kong has continued its expansion as an offshore Renminbi (RMB) financing center, accumulating as of September 2011 over \$98 billion in RMB-denominated deposits at authorized institutions. Hong Kong does not differentiate between offshore and onshore entities for licensing and supervisory purposes.

Hong Kong's low tax rates and simplified tax regime, coupled with its sophisticated banking system, shell company formation agents, free port status, and the absence of currency and exchange controls, present vulnerabilities for money laundering, including trade-based money laundering. Primary sources of laundered funds, derived from local and overseas criminal activity, are: illegal gambling, fraud, financial crimes, loan sharking, goods smuggling activities and vice. Hong Kong law enforcement authorities attribute only a small percentage of laundered funds to drug trafficking organizations.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: *criminally:* YES *civilly:* NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES
KYC covered entities: Banks, securities and insurance entities, money exchangers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 14,751 from January to September 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: All persons, irrespective of entity or amount of transaction involved

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 223 from January to September 2011
Convictions: 158 from January to September 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Hong Kong is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/19/38/41032809.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Hong Kong enacted legislation in July 2011 (AML/CFT Ordinance) that will go into effect in April 2012 and better align its financial sector with prevailing international standards. The legislation provides statutory backing to existing financial regulatory guidelines on preventive AML measures, including customer due diligence and record keeping requirements for financial institutions, and puts in place a licensing and regulatory regime for remittance agents and money changers. It also grants authority for administrative and criminal sanctions.

In April 2010, the Government of Hong Kong initiated an ongoing study for the implementation of a cross-border currency reporting system. The government's work plan calls for an evaluation of the feasibility of tracking and monitoring currency movements in/out of its borders, including necessary legislative and resource requirements.

Hong Kong should institute mandatory oversight for designated non-financial businesses and professions, and implement mandatory cross-border currency reporting requirements, both potential loopholes for money launderers and terrorist financiers. Hong Kong should also establish threshold reporting requirements for currency transactions and put in place "structuring" provisions to counter evasion efforts. As a major trading hub, Hong Kong should also closely examine trade-based money laundering.

As a SAR of China, Hong Kong cannot sign or ratify international conventions in its own right. Rather, China is responsible for Hong Kong's international affairs and may arrange for the ratification of any convention to be extended to Hong Kong. The 1988 Drug Convention was extended to Hong Kong in 1997. The UN Convention against Corruption, the International Convention for the Suppression of the Financing of Terrorism, and the UN Convention against Transnational Organized Crime were extended to Hong Kong in 2006.

India

India is a regional financial center, with a rapidly growing economy and well-developed formal and informal financial systems. India's extensive informal economy and remittance systems, porous borders, persistent corruption, and onerous tax administration and currency controls contribute to its vulnerability to economic crimes (including fraud, cyber crime, and identity theft), money laundering, and terrorist financing. Tax avoidance and the proceeds of economic crimes are the mainstays of money launderers in India, but laundered funds are also derived from narcotics trafficking and trafficking in persons, transnational organized crime, illegal trade, and corruption. Transnational criminal organizations use offshore corporations and trade-based money laundering to conceal the proceeds of crime. Criminal networks exchange high-quality counterfeit currency for genuine notes, which facilitates money laundering.

India's porous borders and location between heroin-producing countries in the Golden Triangle and Golden Crescent make it a frequent transit point for drug trafficking. Proceeds from Indian-based heroin traffickers re-enter the country via bank accounts, the hawala system, and money transfer companies.

India is also a significant target for both domestic and foreign terrorist groups. Several indigenous terrorist organizations coexist in various parts of the country; many are linked to external terrorist groups with global ambitions. Terrorist groups often use hawaladars and currency smuggling to move funds from external sources to finance their activities in India. Indian authorities also report they have seized drugs sold by India-based insurgents to production and/or trafficking groups in neighboring countries.

High-level corruption both generates and conceals criminal proceeds. Illicit funds are often laundered through real estate, educational programs, charities, and election campaigns. Companies use trade-based money laundering to evade capital controls.

India licenses seven offshore banking units (OBUs) to operate in Special Economic Zones (SEZs), which were established to promote export-oriented commercial businesses, including manufacturing, trading, and services (mostly information technology). As of November 2011, there were 143 SEZs in operation, with another 582 SEZs formally approved. Customs officers control access to the SEZs. OBUs essentially function as foreign branches of Indian banks, but with defined physical boundaries and functional limits. OBUs are prohibited from engaging in cash transactions, can only lend to the SEZ wholesale commercial sector, and are subject to the same anti-money laundering/counter-terrorist financing (AML/CFT) provisions as the domestic sector.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

All serious crimes approach or list approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks and merchant banks; insurance companies; housing and non-banking finance companies; casinos; payment system operators; authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches and non-profit organizations; intermediaries; stock brokers; sub-brokers; share transfer agents; trustees, underwriters, portfolio managers and custodians; investment advisors; depositories and depository participants; foreign institutional investors; credit rating agencies; venture capital funds; collective schemes including mutual funds; and the post office

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 20,698 from April 2010 to March 2011

Number of CTRs received and time frame: 8,687,107 from April 2010 to March 2011

STR covered entities: Banks and merchant banks; insurance companies; housing and non-banking finance companies; casinos; payment system operators; authorized money changers and remitters; chit fund companies; charitable trusts that include temples, churches and non-

profit organizations; intermediaries; stock brokers; sub-brokers; share transfer agents; trustees, underwriters, portfolio managers and custodians; investment advisors; depositories and depository participants; foreign institutional investors; credit rating agencies; venture capital funds; collective schemes including mutual funds; and the post office

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 36 from April 2006 to March 2011

Convictions: Zero

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

India is a member of the Financial Action Task Force (FATF), as well as two FATF-style regional bodies, the Asia/Pacific Group on Money Laundering (APG) and the Eurasian Group on Combating Money Laundering and Terrorist Financing (EAG). Its most recent mutual evaluation can be found here: www.fatf-gafi.org/dataoecd/60/56/45746143.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

India is strongly committed to implementing an effective AML/CFT framework and has taken numerous steps to improve its AML/CFT regime and bring it into compliance with international standards. In 2011, the Government of India (GOI) drafted amendments to the Prevention of Money Laundering Act (PMLA) and the Unlawful Activities (Prevention) Act that would expand the scope of India's AML/CFT regime to cover several designated non-financial businesses and professions, including jewelers and real estate firms. The draft amendments also would address deficiencies with respect to the criminalization of money laundering and terrorist financing and to confiscation and provisional measures, including by making money laundering a stand-alone offense and allowing authorities to attach property even if the predicate offense is not proven.

In 2011, the financial services regulators issued an extensive range of enforceable circulars improving customer due diligence requirements, including with respect to customers and transactions involving countries with "strategic AML/CTF deficiencies." In addition, the FIU enhanced outreach to the financial sector on suspicious transaction reporting, revised the cash and suspicious transaction reporting format for non-banking financial companies, and streamlined an electronic reporting format for CTRs and STRs, resulting in a significant increase in the number of STRs filed with respect to both money laundering and terrorist financing.

Despite these important steps, deficiencies remain. Since Parliament has not yet approved the draft PMLA amendments, India lacks both effective criminal asset forfeiture provisions and conspiracy laws. Moreover, effective implementation of the current law remains a significant concern. Despite increased law enforcement resources, as of April 2011, there were still no money laundering convictions or confiscations. Law enforcement typically opens substantive criminal investigations reactively, after an offense is discovered, and seldom initiates proactive analysis and long-term investigations. At the prosecutorial level, there is an appropriate focus on terrorist financing; however, this effort has yet to be followed up convincingly by convictions and firm case law. Furthermore, while the GOI has taken action against certain hawala activities, these successes generally stem from prosecuting primarily non-financial businesses that conduct hawala transactions on the side.

Levels of training and expertise in financial investigations involving transnational crime or terrorist-affiliated groups vary widely among the federal, state, and local levels and depend on the particular jurisdiction's financial capabilities and perceived necessities. U.S. investigators have had limited success in coordinating the seizure of illicit proceeds with their GOI counterparts. While intelligence and investigative information supplied by U.S. investigators have led to numerous money seizures, a lack of follow-through on investigational leads has prevented a more comprehensive offensive against offenders and related groups.

The GOI is taking steps to increase financial inclusion through “small [banking] accounts”, but should consider further facilitating the development and expansion of alternative money transfer services, including mobile banking, domestic funds transfer, and foreign remittances. Such an increase in lawful, accessible services would allow broader financial inclusion of legitimate individuals and entities and reduce overall AML/CFT vulnerabilities, particularly in the rural sector, by shrinking the informal network. The GOI also should establish a clear safe harbor provision for those filing STRs in good faith.

In May 2011, India ratified both the United Nations Convention against Corruption and the United Nations Convention against Transnational Organized Crime.

Indonesia

While Indonesia is neither a regional financial center nor an offshore financial haven, the country remains vulnerable to money laundering and terrorist financing due to its weak anti-money laundering/counter-terrorist financing (AML/CFT) regime, cash-based economy, weak rule-of-law and ineffective law enforcement institutions, and the presence of major indigenous terrorist groups, such as Jemaah Islamiyah (JI), a loose network of JI spin-off groups, and Jemaah Anshorut Tauhid, which obtain financial support from both domestic and foreign sources. Most money laundering in the country is connected to non-drug criminal activity such as corruption, illegal logging, theft, bank fraud, credit card fraud, maritime piracy, sale of counterfeit goods, gambling and prostitution.

Indonesia has a long history of smuggling of illicit goods and bulk cash, facilitated by thousands of miles of unpatrolled coastline, sporadic law enforcement, and poor customs infrastructure. Proceeds from illicit activities are easily moved offshore and repatriated as needed for commercial and personal use. While Indonesia has made some progress in combating official corruption via a strong yet embattled Corruption Eradication Commission, endemic corruption remains a significant concern and poses a challenge for AML/CFT regime implementation.

In an October 2011 report, the Financial Action Task Force (FATF) noted that Indonesia continues to have certain strategic AML/CFT deficiencies, including a lack of progress on the implementation of its action plan. Of particular concern is Indonesia's failure to pass terrorist financing and asset forfeiture legislation.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination approach

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, finance companies, insurance companies and insurance brokerage companies, pension fund financial institutions, securities companies, investment managers, providers of money remittance, and foreign currency traders

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 16,054 from January through October 2011

Number of CTRs received and time frame: 1,412,769 from January through October 2011

STR covered entities: Banks, financing companies, insurance companies and insurance brokerage companies, pension fund financial institutions, securities companies, investment managers, custodians, trustees, postal services as providers of fund transfer services, foreign currency changers (money traders), providers of payment card services, providers of e-money or e-wallet services, cooperatives doing business as savings and loan institutions, pawnshops, commodity futures traders, money remitters, property companies and agents, car dealers, dealers of precious stones and jewelry/precious metals, art and antique dealers, and auction houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Four from January through October 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Indonesia is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Indonesia%20MER2_FINAL.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In October 2010, the Government of Indonesia (GOI) enacted a new AML law that partially complies with international standards. Among other improvements, the law expands the list of agencies permitted to conduct money laundering investigations, gives the independent financial intelligence unit (FIU), PPATK, more authority to examine suspicious financial transactions, and increases some criminal penalties for money laundering offenses. Personnel in both the executive and judicial branches should receive more training to effectively implement and enforce the expanded provisions of the AML law.

Indonesia's PPATK is a dynamic and effective FIU that works closely with the Central Bank to oversee and implement Indonesia's anti-money laundering regime. PPATK is well-funded and has an experienced and effective leadership team in place. The October 2010 AML legislation, however, has taxed the institution's capacity and PPATK will need a significant increase in staff to meet its responsibilities under the law. In an effort to place some of the legal burden on industry and bank partners, PPATK will open three anti-money laundering centers in different regions of Indonesia to serve as resource centers for organizations that must comply with the new regulations.

Despite a stated high-level commitment to the action plan developed to address some of the persistent gaps in its AML/CFT legislation, the GOI has not met its projected timeframes. Essential draft CFT legislation will not be submitted to parliament until at least early 2012, more than a year later than originally expected. Passage may be further delayed by disagreements over various provisions, including those addressing forfeiture of unexplained wealth and new reporting requirements for religious institutions.

Indonesia continues to lack an effective mechanism to implement UNSCRs 1267 and 1373. The October 2010 AML legislation only provides for the temporary suspension of terrorist assets linked to the UN list of designated terrorists and terrorist organizations and does not allow for an immediate and ongoing freeze. Corruption, particularly within the police ranks, impedes effective investigations and prosecutions. Prosecutors and judges should be given additional training on tracing and documenting financial flows and presenting this evidence convincingly in court.

Iran

Although not considered a financial hub, Iran has a large underground economy, spurred by restrictive taxation, widespread smuggling, currency exchange controls, capital flight, and a large Iranian expatriate community. Iran is a major transit route for opiates smuggled from Afghanistan through Pakistan to the Persian Gulf, Turkey, Russia, and Europe. At least 40% of opiates leaving Afghanistan enters or transits Iran for domestic consumption or for consumers in Russia and Europe. Illicit proceeds from narcotics trafficking are used to purchase goods in the domestic Iranian market; those goods are often exported and sold in Dubai. Iran's merchant community makes active use of money and value transfer systems, including hawala and moneylenders. Counter-valuation in hawala transactions is often accomplished via trade, thus trade-based transactions are likely a prevalent form of money laundering. Many hawaladars and traditional bazaari are linked directly to the regional hawala hub in Dubai. Over 300,000 Iranians reside in Dubai, with approximately 8,200 Iranian-owned companies based there. Iran's real estate market is also used to launder money. There also are reports that billions of dollars in Iranian capital have been invested in the United Arab Emirates, particularly in Dubai real estate.

On November 21, 2011, Iran was identified by the U.S. Government as a state of primary money laundering concern pursuant to section 311 of the USA PATRIOT Act. Widespread corruption and economic sanctions, as well as evasion of those sanctions, have undermined the potential for private sector growth and facilitated money laundering. The Financial Action Task Force (FATF) has repeatedly warned of Iran's failure to address the risks of terrorist financing. The

FATF urges jurisdictions around the world to impose countermeasures to protect their financial sectors from illicit finance emanating from Iran. In October 2011, the FATF urged all members and jurisdictions to advise their financial institutions to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions.

In 1984, the Department of State designated Iran as a state sponsor of terrorism. Iran continues to provide material support, including resources and guidance, to multiple terrorist organizations and other groups that undermine the stability of the Middle East and Central Asia. Hamas, Hizballah, and the Palestinian Islamic Jihad (PIJ) maintain representative offices in Tehran in part to help coordinate Iranian financing and training.

Although Iran has established an international banking network, with many large state-owned banks that have foreign branches and subsidiaries in Europe, the Middle East, Asia, and the Western Hemisphere, Iranian banks have a diminishing international presence in these regions as a growing number of governments move to sanction Iranian financial institutions in response to UN, U.S., and autonomous sanctions regimes as well as the FATF statements on Iran's lack of adequate anti-money laundering/counter-terrorist financing (AML/CFT) controls. Iran is known to use its state-owned banks to channel funds to terrorist organizations and finance its nuclear and ballistic missile programs. The United States has designated at least 20 banks and subsidiaries under counter-proliferation and terrorism authorities.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: Not available

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: Not available Domestic: Not available

KYC covered entities: Central Bank, banks, financial and credit institutions, insurance companies (including the state regulator and reinsurance provider), interest-free funds, charity organizations and institutions, municipalities, notaries, lawyers, accountants, auditors, authorized specialists of the Justice Ministry, and official inspectors

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not available

Number of CTRs received and time frame: Not available

STR covered entities: Central Bank, banks, financial and credit institutions, insurance companies (including the state regulator and reinsurance provider), interest-free funds, charity organizations and institutions, municipalities, notaries, lawyers, accountants, auditors, authorized specialists of the Justice Ministry, and official inspectors

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other:** NO

With other governments/jurisdictions: Not available

Iran is not a member of any Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Since 2006, the U.S. has taken a number of targeted financial actions against key Iranian financial institutions, entities, and individuals under non-proliferation, counter-terrorism, human rights, and Iraq-related authorities, i.e., Executive Order 13382, Executive Order 13224, Executive Order 13553, and Executive Order 13438, respectively. To date, the Departments of Treasury and State have designated over 300 Iranian entities and individuals for proliferation-related activity under Executive Order 13382. Additionally, the United Nations Security Council (UNSC) has passed numerous resolutions that impose sanctions on Iran. The most recent of these, UNSCR 1929, was adopted in June 2010.

UNSCR 1929 recognizes the potential connection between Iran's revenues derived from its energy sector and the funding of its proliferation of sensitive nuclear activities. In 2010, in recognition of that connection, the United States adopted the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA), which makes sanctionable certain activities in Iran's energy sector, including the provision of refined petroleum products to Iran.

On December 31, 2011, the National Defense Authorization Act for Fiscal Year 2012 was signed into law. Under Section 1245 of the Act, foreign financial institutions that knowingly facilitate significant financial transactions with the Central Bank of Iran or with Iranian financial institutions designated by Treasury risk being cut off from direct access to the U.S. financial system. This legislation builds upon the sanctions from previous U.S. legislation and UNSC resolutions.

The following are some examples of notable designations under Executive Orders: 20 Iranian-linked banks (including Bank Refah in 2011), located in Iran and overseas, have been designated in connection with Iran's proliferation activities; one state-owned Iranian bank (Bank Saderat and its foreign operations) was designated for funneling money to terrorist organizations; the Qods Force, a branch of the Iranian Revolutionary Guard Corps (IRGC), was designated for providing material support to the Taliban, Lebanese Hizballah, and Palestinian Islamic Jihad; and, the Martyrs Foundation (also known as Bonyad Shahid), an Iranian parastatal organization that channels financial support from Iran to several terrorist organizations in the Levant, including Hizballah, Hamas, and the PIJ, has been designated along with Lebanon- and U.S.-based affiliates.

In October 2007, the FATF issued its first public statement expressing concern over Iran's lack of a comprehensive AML/CFT framework. In February 2009, the FATF urged all jurisdictions to apply effective countermeasures to protect their financial sectors from the money laundering/terrorist financing risks emanating from Iran and also stated that jurisdictions should protect against correspondent relationships being used to bypass or evade countermeasures or risk mitigation practices. In October 2011, the FATF reiterated its call for countermeasures. The FATF urges Iran to immediately and meaningfully address its AML/CFT deficiencies, in

particular by criminalizing terrorist financing and effectively implementing suspicious transaction reporting requirements.

Since February 2007, the European Union (EU) has also adopted numerous measures to implement the UNSCRs on Iran and further protect the EU from Iranian threats. For example, in 2010, the EU adopted significant new measures against Iran, including new sanctions on several Iranian banks and the IRGC; enhanced vigilance by way of additional reporting and prior authorization for any funds transfers to and from an Iranian person, entity, or body above a certain threshold amount; a prohibition on the establishment of new Iranian bank branches, subsidiaries, joint ventures, and correspondent accounts; and other restrictions on insurance, bonds, energy, and trade.

Numerous countries around the world also have restricted their financial and business dealings with Iran in response to both the UNSC measures on Iran as well as the FATF statements on Iran's lack of adequate AML/CFT controls. A growing number of governments have moved to designate Iranian banks, and many of the world's leading financial institutions have voluntarily chosen to reduce or cut ties with Iranian banks.

Iran is ranked 120 out of 183 countries listed in Transparency International's 2011 Corruption Perception Index. There is pervasive corruption within the ruling and religious elite, government ministries, and government-controlled business enterprises.

In 2010, the Government of Iran teamed with United Nations Office on Drugs and Crime to establish a financial intelligence unit (FIU). The Iranian FIU reportedly will focus on suspicious financial transactions linked to illicit narcotics proceeds. No entity has been able to assess whether Iran's FIU meets international standards.

Iraq

Iraq's economy is primarily cash-based, and there is little data available on the extent of money laundering in the country. Smuggling is endemic, often involving consumer goods, cigarettes, and petroleum products. Bulk cash smuggling, counterfeit currency, trafficking in persons, and intellectual property rights violations are major problems. Ransoms from kidnappings and extortion are often used to finance terrorist networks. Credible reports of counterfeiting abound. Trade-based money laundering, customs fraud, and various means of value transfer are found in the underground economy. Hawala networks, both licensed and unlicensed, are widely used for legitimate and illicit purposes. Corruption is a major challenge and is exacerbated by weak financial controls in the banking sector and weak links to the international law enforcement community. U.S. dollars are widely accepted and are used for many payments made by the U.S. government, as well as foreign assistance agencies and their contractors.

Iraq has four free trade zones (FTZs): the Basra/Khor al-Zubair seaport; Ninewa/Falafel area; Sulaymaniyah; and al-Qaim, located in western Al Anbar province. Under the Free Trade Zone Authority Law, goods imported or exported from the FTZs are generally exempt from all taxes and duties, unless the goods are to be imported for use in Iraq. Additionally, capital, profits, and investment income from projects in the FTZs are exempt from taxes and fees throughout the life of the project, including the foundation and construction phases. Value transfer via trade goods

is a significant problem in Iraq and the surrounding region. Iraq is investigating the application of a new customs tariff regime.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES ***civilly:*** NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

KYC covered entities: Banks; investment fund managers; life insurance companies and those which offer or distribute shares in investment funds; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers, securities dealers; and, dealers in precious metals and stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 43 in 2011

Number of CTRs received and time frame: 1,320 in 2011

STR covered entities: Banks; investment fund managers; life insurance companies and those which offer or distribute shares in investment funds; securities dealers; money transmitters, hawaladars, and issuers or managers of credit cards and travelers checks; foreign currency exchange houses; asset managers, transfer agents, investment advisers, securities dealers; and, dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Iraq is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. Iraq's first mutual evaluation is scheduled for late 2012.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the only anti-money laundering statute in Iraq, CPA Law 93, AML Act of 2004, is broad enough to reach even beyond serious crime, the criminalization under CPA Law 93 is only

that of a misdemeanor. Iraq does not prosecute cases under this law because the law does not effectively criminalize money laundering.

Iraq's legal framework needs to be strengthened, either by amendment or by drafting of new AML/CFT legislation. Iraqi ministries need to support a viable AML/CFT regime with cooperation across ministries. Investigators, prosecutors, and judges all need support from their leadership to move more aggressively in pursuing AML/CFT cases. Prosecutors and investigators are frustrated when judges do not pursue their cases; similarly, judges claim the cases they receive are of poor quality and not prosecutable. Senior-level support and increased capacity for all parties are necessary to ensure AML/CFT cases can be successfully prosecuted in Iraq. In addition, the lack of implementing legislation, weak compliance enforcement by the Central Bank of Iraq (CBI), and the lack of support to the Money Laundering Reporting Office (MLRO), Iraq's financial intelligence unit, undermine Iraq's ability to counter terrorist financing and money laundering.

The CBI generally does not support the MLRO. The MLRO has adequate staffing but lacks training, computer equipment, and software to receive, store, retrieve, and analyze data from the reporting institutions. Without a database, the MLRO staff must process the data received manually. The MLRO is empowered to exchange information with other Iraqi and foreign government agencies. Historically the MLRO received little support from Iraqi law enforcement, but that changed in 2011 because the MLRO has added value to many of their investigations. The Government of Iraq should ensure the MLRO has the capacity, resources, and authorities to serve as the central point for collection, analysis, and dissemination of financial intelligence to law enforcement and to serve as a platform for international cooperation.

Regulation and supervision of the formal and informal financial sectors are still quite limited and enforcement is subject to political constraints, resulting in weak private sector controls. In practice, despite customer due diligence requirements, most banks open accounts based on the referral of existing customers and/or verification of a person's employment. Actual application of the rules varies widely across Iraq's 45 state-owned and private banks. Also, rather than file STRs in accordance with the law, most banks either conduct internal investigations or contact the MLRO, which executes an account review to resolve any questionable transactions. In practice, very few STRs are filed.

Iraq should become a party to the UN Convention for the Suppression of the Financing of Terrorism.

Isle of Man

Isle of Man (IOM) is a British crown dependency, and while it has its own parliament, government, and laws, the United Kingdom (UK) remains constitutionally responsible for its defense and international representation. Offshore banking, manufacturing, and tourism are key sectors of the economy, and the government offers incentives to high-technology companies and financial institutions to locate on the island. Its large and sophisticated financial center is potentially vulnerable to money laundering. Most of the illicit funds in the IOM are from fraud schemes and narcotics trafficking in other jurisdictions, including the UK. Identity theft and Internet abuse are growing segments of financial crime activity.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks; building societies; credit issuers; financial leasing companies; money exchanges and remitters; issuers of checks, traveler’s checks, money orders, electronic money, or payment cards; guarantors; securities and commodities futures brokers; safekeeping, portfolio and asset managers; estate agents; auditors, accountants, lawyers and notaries; insurance companies and intermediaries; casinos and bookmakers; high-value goods dealers and auctioneers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,435 in 2010
Number of CTRs received and time frame: Not applicable
STR covered entities: All businesses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 in 2010
Convictions: 13 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES
With other governments/jurisdictions: YES

Compliance with international standards was evaluated in a report prepared by the International Monetary Fund’s Financial Sector Assessment Program. The report can be found here:
<http://www.imf.org/external/pubs/ft/scr/2009/cr09275.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

IOM legislation provides powers to constables, including customs officers, to investigate whether a person has benefited from any criminal conduct. These powers allow information to be obtained about that person’s financial affairs. These powers can be used to assist in criminal investigations abroad as well as in the IOM. In 2003, the U.S. and the UK agreed to extend to the IOM the U.S.-UK Treaty on Mutual Legal Assistance in Criminal Matters.

The Terrorism (Finance) Act 2009 allows the IOM authorities to compile their own list of suspects subject to sanctions when appropriate.

IOM is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so. Rather, the UK is responsible for IOM’s international affairs and, at

IOM's request, may arrange for the ratification of any convention to be extended to the Isle of Man. The UK's ratification of the 1988 UN Drug Convention was extended to include IOM on December 2, 1993; its ratification of the UN Convention against Corruption was extended to include the IOM on November 9, 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to IOM on September 25, 2008. The UK has not extended the UN Convention against Transnational Organized Crime to the IOM.

Israel

Israel is not regarded as a regional financial center. It primarily conducts financial activity with the markets of the United States and Europe, and to a lesser extent with the Far East. Criminal groups in Israel, either home-grown or with ties to the former Soviet Union, United States, and European Union often utilize a maze of offshore shell companies and bearer shares to obscure beneficial owners. Law enforcement continues to focus on human trafficking and public corruption.

Israel's illicit drug trade is regionally focused, with Israel as more of a transit country than a stand-alone significant market. The authorities continue to be concerned with illegal pharmaceutical sales, retail businesses which are suspected money-laundering enterprises, and corruption accusations against public officials. Bilateral cooperation between United States and Israeli law enforcement authorities is significant, including joint repatriations, training exercises and sharing of information where relevant.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* NO

KYC covered entities: Banking corporations, credit card companies, trust companies, stock exchange members, portfolio managers, and the Postal Bank

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 27,922 (January 1 - October 12, 2011)

Number of CTRs received and time frame: 922,583 (January 1 - October 12, 2011)

STR covered entities: Banking corporations, credit card companies, trust companies, members of the Tel Aviv Stock Exchange, portfolio managers, insurers and insurance agents,

provident funds and the companies who manage them, providers of currency services, money services businesses and the Postal Bank

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 52 from January - August 2011

Convictions: 12 from January - August 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Israel has observer status with the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Israel_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Israel's "right of return" laws for citizenship have meant that crime figures can, and have continued to, operate in their home countries while having easy access into and out of Israel. Israeli citizenship for those "making aliyah" does not require strong ties to Israel such as proof of continuous residency. Therefore it is not uncommon for some crime figures suspected of money laundering to hold passports in a home country, a third country for business, and Israel, without necessarily having established ties here.

U.S. law enforcement has a robust relationship with the Israel Tax Authority's (ITA) Anti Drug and Money Laundering Unit. U.S. customs authorities and the ITA routinely coordinate to target illicit finance and bulk cash smuggling between the two countries. In 2011, the Israel Money Laundering and Terror Financing Prohibition Authority signed an MOU with the U.S.'s Financial Crimes Enforcement Network to further cooperation on money laundering and terrorist financing issues. In addition, U.S. and Israeli law enforcement officials cooperate on extradition requests for individuals accused of crimes such as money laundering. For example, Itzhak Abergil, a U.S.-designated Consolidated Priority Organization Target (CPOT), and several other Israeli nationals were extradited to the United States in 2011 where they now face a host of charges including money laundering and drug trafficking.

Italy

The proceeds of domestic organized crime groups (especially the Mafia, Camorra, and 'Ndrangheta) operating across numerous economic sectors in Italy and abroad compose the main source of laundered funds. A report from the Italian confederation of trade, tourism, and service-company operators declared domestic organized crime as Italy's largest enterprise. Other major sources of laundered money are proceeds from tax crimes, smuggling and sale of counterfeit goods, extortion, and usury. Based on limited evidence, the major sources of money for financing terrorism seem to be petty crime, document counterfeiting, and smuggling and sale of various legal and contraband goods. Italy's total black market is estimated to generate as much as 15% of GDP (\$310 billion). A sizeable portion of this black market is for smuggled goods.

The proceeds of these sales are often laundered, and some may be used to finance terrorism. However, the largest portion of this black market is for tax evasion by otherwise legitimate commerce. Money laundering and terrorist financing in Italy occurs in both the formal and the informal financial system, as well as offshore.

Italy continues to combat the sources of money laundering and terrorist financing. For example, in his first speech to Parliament, new Prime Minister Monti announced that fighting tax evasion, which he said deprives Italy of one-fifth of its GDP, and fighting organized crime will be high priorities for the new government.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, Italian post office, electronic money transfer institutions, payment institutions, agents, investment firms, asset management companies, insurance companies, agencies providing tax collection services, stock brokers, financial intermediaries, trust companies, lawyers, accountants, auditors, and casinos

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 23,816 for January through June 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, Italian post office, electronic money transfer institutions, investment firms, asset management companies, insurance companies, agencies providing tax collection services, stock brokers, financial intermediaries, trust companies, lawyers, accountants, commercial assessors, notaries, auditors, real estate agents, casinos, and high-value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 21 in 2011

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

Italy is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_70522_43383847_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2011, Italy made the following key legal, regulatory, and policy changes related to money laundering and terrorist financing: Parliament passed a law reducing from 5,000 euros to 2,500 euros the threshold above which cash transactions, cash bank deposits, and cash payments for bearer bonds are illegal; the Ministry of Interior issued a regulation establishing anomaly indicators for financial transactions, to facilitate the reporting of suspicious transactions by several categories of non-financial businesses and professions; the Bank of Italy, the Italian central bank, strengthened the required procedures and internal controls for financial intermediaries, to prevent their involvement in money laundering and terrorist financing. The Bank of Italy also raised the standards for data required in STRs, to increase the likelihood of detecting money laundering and terrorist financing transactions.

Although several of the above actions were intended to increase the number of STRs filed by non-financial businesses and professions, since these entities now file less than 1% of the STRs, Italy must continue to implement measures that will significantly increase the quality of STRs from all these entities and the number of STRs from selected categories of these entities. Italy also must continue to implement measures to increase the quality and timeliness of the data reported by all types of entities. In 2010, 37,047 STRs were filed for money laundering and 274 for terrorist financing.

Although Italy requires that large transactions be reported, these transactions are reported only in the aggregate.

As in previous years, in 2011 the Guardia di Finanza cooperated on a number of occasions with various U.S. authorities in investigations of money laundering, bankruptcy crimes, and terrorist financing (the Guardia di Finanza is the primary Italian law enforcement agency responsible for combating financial crime and smuggling, and is Italy's primary agency for interdicting drugs, along with the Carabinieri and the Italian National Police). The Direzione Centrale per i Servizi Antidroga, a task force comprised of the Guardia di Finanza, Carabinieri, and the Italian National Police, also plays a central role in these efforts.

Japan

Japan is a regional financial center. It has one free-trade zone, the Okinawa Special Free Trade Zone, established in 1999 in Naha, to promote industry and trade in Okinawa. The zone is regulated by the Department of Okinawa Affairs in the Cabinet Office. Japan also has two free ports, Nagasaki and Niigata. Customs authorities allow the bonding of warehousing and processing facilities adjacent to these ports on a case-by-case basis. It is not an offshore financial center.

Japan continues to face substantial risk of money laundering by organized crime (including Boryokudan, Japan's organized crime groups, and Iranian drug trafficking organizations), extremist religious groups, and other domestic and international criminal elements. The major sources of money laundering proceeds include drug trafficking, fraud, loan-sharking (illegal money lending), remittance frauds, the black market economy, prostitution, and illicit gambling.

In the past year, there has been an increase in financial crimes by citizens of West African countries, such as Nigeria and Ghana, who are resident in Japan. There is not a significant black market for smuggled goods, and the existence of alternative remittance systems is believed to be very limited in Japan.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Financial institutions, real estate agents and professionals, precious metals and stones dealers, antique dealers, postal service providers, lawyers, judicial scriveners, certified administrative procedures specialists, certified public accountants, certified public tax accountants, trust companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 337,341 in 2011
Number of CTRs received and time frame: Not applicable
STR covered entities: Financial institutions, real estate agents and professionals, precious metals and stones dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 191 in 2010
Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES
With other governments/jurisdictions: YES

Japan is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering (APG), a FATF-style regional body. Its most recent mutual evaluation can be found here:

http://www.fatf-gafi.org/document/61/0,3746,en_32250379_32236963_41684733_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although the Japanese government continues to strengthen legal institutions to permit more effective enforcement of anti-money laundering/counter-terrorist financing (AML/CFT) laws,

Japan's compliance with international standards specific to financial institutions is notably deficient. In April 2011, Japan amended its basic AML law, the Criminal Proceeds Act, to improve customer due diligence (CDD) requirements, including by requiring financial institutions to identify the customer's name, address, and date of birth, and to verify the purpose of transaction, business activities and beneficial owners. However, while the government is in the process of formulating the subordinate decrees, these requirements do not come into effect until April 28, 2013.

The Government of Japan (GOJ) has not implemented a risk-based approach to AML/CFT, and there is currently no mandate for enhanced due diligence for higher-risk customers, business relationships, and transactions. While the April 2011 amendments to the Criminal Proceeds Act call for financial institutions to verify a customer's assets and income in certain higher risk situations, they delineate those situations as those where it is suspected that false identity is being used, rather than by increased risks presented by such factors as business type, customer location, or type of transaction. The current regulations also do not authorize simplified due diligence, though there are exemptions to the identification obligation on the grounds that the customer or transaction poses no or little risk of money laundering or terrorist financing. Japan should implement a risk-based approach to its AML/CFT regime.

The GOJ's number of investigations, prosecutions, and convictions for money laundering in relation to the number of drug and other predicate offenses is low, despite the GOJ's many legal tools and programs to combat these crimes. The National Police Agency (NPA) provides limited cooperation with other GOJ agencies, and most foreign governments, on nearly all criminal, terrorism, or counter-intelligence-related matters. The GOJ should develop a robust program to investigate and prosecute money laundering offenses, and require enhanced cooperation by the NPA with its counterparts in the GOJ and foreign missions.

The GOJ's system does not allow the freezing of terrorist assets without delay, and in practice the Ministry of Finance has frozen terrorist assets in only a few cases. Japan's system does not cover assets raised by a non-terrorist for use by a terrorist or terrorist organization, and reaches only funds, not other kinds of assets. The GOJ should enact legislation to allow terrorist assets to be frozen without delay, and to expand the scope of assets to include non-financial holdings.

Japan should provide more training and investigatory resources for AML/CFT law enforcement authorities. As Japan is a major trading power, the GOJ should take steps to identify and combat trade-based money laundering.

Japan should become a party to the UN Convention against Transnational Organized Crime and the UN Convention against Corruption, and should fully implement the freezing obligations for terrorist funds, according to the UN Convention for the Suppression of the Financing of Terrorism.

Jersey

The Island of Jersey, the largest of the Channel Islands, is an international financial center offering a sophisticated array of offshore services. Jersey is a British crown dependency but has its own parliament, government, and laws. The United Kingdom (UK) remains constitutionally

responsible for its defense and international representation but has entrusted Jersey to regulate its own financial service sector and to negotiate and sign tax information exchange agreements directly with other jurisdictions. The financial services industry is a key sector, with banking, investment services, and trust and company services accounting for approximately half of Jersey's total economic activity. As a substantial proportion of customer relationships are with nonresidents, adherence to know-your-customer rules is an area of focus for efforts to limit illicit money from foreign criminal activity. Jersey also requires that beneficial ownership information be obtained and held by its company registrar. Island authorities undertake efforts to protect the financial services industry against the laundering of the proceeds of foreign political corruption deriving from industries such as oil, gas, and transportation.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, travelers checks, money orders and electronic money; securities brokers and dealers; safekeeping, trust, and portfolio managers; insurance companies and brokers; fund products and operators; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers and legal professionals

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,854 in 2009

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; money exchanges and foreign exchange dealers; financial leasing companies; issuers of credit and debit cards, travelers checks, money orders and electronic money; securities brokers and dealers; safekeeping, trust, and portfolio managers; insurance companies and brokers; fund products and operators; casinos; company service providers; real estate agents; dealers in precious metals and stones and other high-value goods; notaries, accountants, lawyers and legal professionals

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: One prosecuted to judgment in 2010

Convictions: One in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES

With other governments/jurisdictions: YES

In lieu of a mutual evaluation, a report was prepared by the International Monetary Fund's Financial Sector Assessment Program. The report can be found here:
<http://www.imf.org/external/pubs/ft/scr/2009/cr09280.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Jersey does not enter into bilateral mutual legal assistance treaties. Instead it is able to provide mutual legal assistance to any jurisdiction, including the US, in accordance with the Criminal Justice (International Co-operation) (Jersey) Law 2001 and the Civil Asset Recovery (International Co-operation) (Jersey) Law 2007. Jersey has granted U.S. requests for assistance in criminal matters. Jersey signed a Tax Information Exchange Agreement with the United States in 2002. In 2009, the Jersey Financial Services Commission (JFSC) signed a statement of cooperation with the Board of Governors of the Federal Reserve System, Office of the Comptroller of Currency, Federal Deposit Insurance Corporation, and Office of Thrift Supervision. This statement is in addition to existing memoranda of understanding with the Securities and Exchange Commission and Commodity Futures Trading Commission.

Although not yet used in practice, Jersey has an ability to designate persons and freeze their assets in conformity with UNSCR 1373; however, no formal procedure is in place to receive and assess requirements based on a foreign request. Additionally, the definition of “funds” subject to freezing does not expressly refer to assets “jointly” or “indirectly” owned or controlled by designated or listed persons. The JFSC website contains a link to the United Kingdom Consolidated List of asset freeze targets, as designated by the United Nations, European Union and United Kingdom. It does not use other means to distribute UN lists of designated terrorists or terrorist entities.

Jersey is a Crown Dependency and cannot sign or ratify international conventions in its own right unless entrusted to do so, as is the case with tax information exchange agreements. Rather, the UK is responsible for Jersey's international affairs and, at Jersey's request, may arrange for the ratification of any Convention to be extended to Jersey. The UK's ratification of the 1988 UN Drug Convention was extended to include Jersey in July 1998; its ratification of the UN Convention against Corruption was extended to include Jersey in November 2009; and its ratification of the International Convention for the Suppression of the Financing of Terrorism was extended to Jersey in September 2008. The UK has not extended the UN Convention against Transnational Organized Crime to Jersey.

Jersey authorities have a continuing concern regarding the increasing incidence of domestic drug related crimes. The customs and law enforcement authorities devote considerable resources to countering drug-related crime. Jersey should continue to maintain and enhance its level of compliance with international standards to assist those efforts. The JFSC should ensure its AML Unit has enough resources to continue to function effectively, and to provide outreach and guidance to the sectors it regulates.

Jersey authorities should explicitly require that a relevant obliged entity obtain all necessary customer due diligence (CDD) information from the intermediary or introducer immediately at the beginning of a relationship and should consider requiring relevant persons to perform spot-testing of an intermediary or introducer's performance of CDD obligations.

Kenya

Kenya is the largest financial center in East Africa, and its banking and financial sectors are growing in sophistication. As a regional financial and trade center for Eastern, Central, and the Horn of Africa, Kenya's economy has large formal and informal sectors; and it remains vulnerable to money laundering and other financial fraud. Reportedly, Kenya's financial system may be laundering over \$100 million each year, although lack of regulation and limited records make quantifying the value difficult.

Money laundering/terrorist financing activity derives from both domestic and foreign criminal activity. Kenya is a transit point for international drug traffickers. The laundering of funds derived from corruption, smuggling, and other financial crimes is a substantial problem. Its proximity to Somalia makes Kenya an attractive and likely destination for the laundering of piracy-related proceeds and a conduit for terrorism-related funds. There is a black market for smuggled goods in Kenya, which serves as a major transit country for Uganda, Tanzania, Rwanda, Burundi, eastern Democratic Republic of Congo, Somalia, and South Sudan. Goods marked for transit to these northern corridor countries avoid Kenyan customs duties, but authorities acknowledge they are often sold in Kenya. Many entities in Kenya are involved in exporting and importing goods, including nonprofit entities. Trade-based money laundering is a problem in Kenya, and traded commodities are often used to provide counter-valuation in regional hawala networks.

In addition to banks, wire services, and other formal channels that act as depository institutions and execute funds transfers, Kenya also houses money/value transfer systems (MVTs) catering to those who conduct cash-based business. Kenyan Somalis and Somali expatriates, in particular the large Somali refugee population, primarily use hawalas to send and receive remittances internationally. Mobile money, using telecom networks for cash and value transfers, called M-Pesa, is an increasingly large component of the Kenyan financial sector.

There are questions concerning Kenya's political will to address money laundering and terrorist financing. In June and October 2011, Kenya was included in the Financial Action Task Force (FATF) Public Statement for its lack of progress on adopting/implementing its action plan to improve its AML/CFT regime despite over a year of targeted engagement by the FATF.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

KYC covered entities: Banks and institutions accepting repayable funds from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value, by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler's checks, money orders and banker's drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; participation in securities issues and the provision of financial services related to such issues; portfolio managers; safekeeping, management, and administration of cash or liquid securities; underwriting and placement of life insurance and other investment related insurance; casinos; real estate agencies; accountants; and dealers in precious metals and stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 37 – January through October 2011

Number of CTRs received and time frame: None

STR covered entities: Banks and institutions accepting repayable funds from the public; lending institutions, factors, and commercial financiers; financial leasing firms; transferors of funds or value, by any means, including both formal and informal channels; issuers and managers of credit and debit cards, checks, traveler's checks, money orders and banker's drafts, and electronic money; financial guarantors; traders of money market instruments, including derivatives, foreign exchange, currency exchange, interest rate and index funds, transferable securities, and commodity futures; participation in securities issues and the provision of financial services related to such issues; portfolio managers; safekeeping, management, and administration of cash or liquid securities; underwriting and placement of life insurance and other investment related insurance; casinos; real estate agencies; accountants; and dealers in precious metals and stones

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

Kenya is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF)-style regional body. Kenya's most recent mutual evaluation report can be found here: www.esaamlg.org

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA), which came into force in June 2010, provides a legal framework for regulation and enforcement as well as a framework for compliance among most of Kenya's financial and some of its non-financial sectors; however, the law has not been implemented, and authorities such as the Financial Reporting Center (FRC), Kenya's FIU, have yet to be established. Due to Kenya's lack of implementation, POCAMLA has never been used to prosecute any crimes, nor have any charges been filed under the POCAMLA, so the law remains untested.

The future FRC will issue official implementing regulations. In the interim, the Central Bank of Kenya (CBK) has issued guidance notes to commercial banks, non-bank financial institutions, and mortgage finance companies about their responsibilities under POCAMLA. In July 2011, guidance was issued on suspicious transaction reporting. In September 2011, the CBK issued guidance on combating terrorist financing, but as neither terrorism nor terrorist financing is criminalized, this guidance is not binding. In 2011, the CBK closed several foreign exchange bureaus for failing to comply with new, more stringent standards.

The POCAMLA does not adequately address KYC measures related to PEPs. With Kenya's new constitution, PEPs are now subject, for the first time, to financial disclosure requirements and enhanced vetting procedures. Kenya does not actively collect CTRs, though banks provide this data if asked.

The Government of Kenya cannot track transactions by MVTs entities. The lack of regulation/supervision of this sector, coupled with a lack of reporting from the obliged entities, contribute to the vulnerability posed by this sector. Tracking, reporting, and investigating suspicious transactions related to the MVTs are more difficult for the Kenyan authorities than those using the formal financial sector.

Kenyan law enforcement authorities lack the institutional capacity, investigative skill, and resources to conduct complex financial investigations, and a number of bureaucratic impediments present challenges. To demand bank account records or to seize an account, the police must present evidence linking the deposits to a criminal violation and obtain a court warrant. The confidentiality of this process is difficult to maintain, and because of leaks, account holders are tipped off about the investigations and then move their accounts or contest the warrants. However, the Kenya Revenue Authority has made recent strides in increasing its internal monitoring and collection procedures. With the implementation of Kenya's constitution, there are significant judicial reforms underway. The Office of the Public Prosecutor is organizing a special unit to address financial crimes and is collaborating with the Ethics and Anti-Corruption Commission to investigate illicit financial flows.

The POCAMLA does not criminalize terrorist financing; the draft anti-terrorism bill addressing terrorist financing languishes in Parliament, where it has been for years. POCAMLA provides for legal mechanisms to freeze or seize criminal accounts; however, the law has not yet been used to do this. Kenya does not have a mechanism or legal authority to freeze or seize accounts used for terrorist financing. In November 2011, the President signed the Mutual Legal Assistance Act. This Act will allow increased cooperation with its international partners. Although it had languished for a number of years, the Act became operational on December 2 and was gazetted on December 9, 2011.

Latvia

Latvia is a regional financial center that has a large number of commercial banks with a sizeable non-resident deposit base. Total bank deposits have increased in the past year, with non-residential deposits increasing by 17% and comprising 41% of total bank deposits (as of August 2011).

In August 2006, the United States issued a Final Rule under Section 311 of the USA PATRIOT Act, imposing a special measure against the VEF Banka, as a financial institution of primary money laundering concern. The bank was found to lack adequate AML/CFT controls and was used by criminal elements to facilitate money laundering, particularly through shell companies. The Latvian authorities subsequently closed the bank, and on August 1, 2011, the Final Rule was rescinded.

Local officials do not consider proceeds from illegal narcotics to be a major source of laundered funds in Latvia, despite the interception of a record 80 kilograms of hashish at the Latvian-Russian border in early September. Authorities report that the primary sources of money laundered in Latvia are tax evasion; organized criminal activities, such as prostitution, tax evasion, and fraud, perpetrated by Russian and Latvian groups; as well as other forms of financial fraud. Officials report that questionable transactions and the overall value of money laundering have remained below pre-financial crisis levels. Latvian regulatory agencies closely monitor financial transactions to identify instances of terrorist financing.

Public corruption remains a problem in Latvia. This year, the Corruption Prevention and Combating Bureau (KNAB) initiated proceedings against several public officials for financial fraud, including money laundering. For example, an official of the Ministry of Finance was charged with bribing an official of the State Revenue Service (SRS) to allow illegal activities. In another instance, an assistant head of a Latvian-owned bank was arrested for allegedly demanding a 50,000 LVL (approximately \$100,000) bribe in return for a favorable loan. There is a black market for smuggled goods (primarily cigarettes, alcohol and gasoline); however, contraband smuggling does not generate significant funds that are laundered through the financial system. In the first nine months of 2011, confiscation of smuggled goods has increased several fold over 2010 figures (494% more fuel has been seized so far).

Four special economic zones provide a variety of significant tax incentives for manufacturing, outsourcing, logistics centers, and the transshipment of goods to other free trade zones. These zones are located at the free ports of Ventspils, Riga, and Liepaja, and in the inland city of Rezekne near the Russian and Belarusian borders. The zones are covered by the same regulatory oversight and enterprise registration regulations that exist for other areas. In 2011, the SRS uncovered the largest fraud case in the history of the Riga Free Port; the criminal investigation into tax evasion and smuggling is ongoing.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF U.S. CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All crimes approach
Legal persons covered: criminally: YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** NO
KYC covered entities: Banks, credit institutions, life insurance companies, intermediaries, private pension fund administrators, investment brokerage firms and management companies, currency exchange offices, and money transmission or remittance offices; tax

advisors, external accountants, and sworn auditors; sworn notaries, advocates, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gambling activities; persons providing money collection services; EU-owned entities; and any merchant, intermediary or service provider, where payment for goods or services is accepted in cash in an amount equivalent to or exceeding 15,000 EUR (approximately \$20,000)

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 15,467 from January 1 through October 31

Number of CTRs received and time frame: 10,961 from January 1 through October 31

NOTE: Number of CTRs includes both cash transactions and other unusual transactions, as per the Latvian Law.

STR covered entities: Banks, credit institutions, life insurance companies, intermediaries, private pension fund administrators, investment brokerage firms and management companies, currency exchange offices, and money transmission or remittance offices; tax advisors, external accountants, and sworn auditors; sworn notaries, advocates, and other independent legal professionals; trust and company service providers; real estate agents or intermediaries; organizers of lotteries or other gambling activities; persons providing money collection services; any merchant, intermediary or service provider, where payment for goods or services is accepted in cash in an amount equivalent to or exceeding 15,000 EUR (approximately \$20,000); and public institutions

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 39 persons prosecuted for 85 crimes from January 1 through October 31, 2011

Convictions: Six cases with final court judgments and eight convicted persons from January 1 through October 31, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Latvia is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation report can be found here: http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Latvia_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In 2011, Latvia adopted beneficial ownership disclosure amendments which require shareholders owning 25% of shares or more to submit data identifying the natural person behind the shareholder. The latest amendments of the AML/CFT Law simplify customer due diligence, add payment services providers and electronic money institutions to the list of entities subject to the Law, and clarify the definition of “financial institutions.” Finally, the AML/CFT Law now extends to EU-owned entities and requires their compliance with the Latvian laws related to customer identification, due diligence, and record keeping.

Under Latvian law, foreign politically exposed persons (PEPs) are always subject to enhanced due diligence procedures. Current laws do not require enhanced due diligence procedures for

domestic PEPs, however they allow discretion to any institution or professional covered by KYC rules to apply enhanced due diligence, based on its risk assessment for a particular customer.

Latvian officials have cooperated with USG law enforcement agencies to investigate numerous financial narcotics-related crimes. The Latvian Financial and Capital Market Commission (FCMC) regularly exchanges information with the U.S. Securities and Exchange Commission. More broadly, officials in Latvia are also able to provide assistance outside of the formal mutual legal assistance process in accordance with the current AML/CFT laws. Total assets seized by law enforcement officials in money laundering cases was approximately 177,000 LVL (approximately \$347,000), a decrease from 2010.

“Internet phishing” crimes have increased from 67 in 2010 to 223 in the first ten months of 2011. The value of these transactions remains small and does not significantly contribute to money laundering. However, authorities are concerned that Latvian youth are allegedly used by the German and Dutch phishing hackers as “money mules,” allowing their bank accounts to serve as conduits for illicit money.

Latvia has comprehensive AML/CFT laws and regulations. The scope of the “shadow” (untaxed) economy (estimated at around 40% of the overall economy), geographic location, and public corruption make it challenging to combat money laundering. Despite these difficulties, Latvian law enforcement officials and regulators are making progress. FCMC reports that Latvian banks have substantially invested in their IT systems to design programs for identifying suspicious activities, especially with regard to high-risk clients. FCMC is committed to strengthen its capacity by increasing its human and financial resources, specifically for AML purposes. FCMC has also drafted a memorandum of understanding for cooperation with U.S. Commodity Futures Trading Commission and is awaiting the Commission’s reply.

Lebanon

Lebanon is a financial hub for banking activities in the Middle East and eastern Mediterranean and has one of the more sophisticated banking sectors in the region. Lebanon faces significant money laundering and terrorist financing challenges; for example, Lebanon has a substantial influx of remittances from expatriate workers and family members, estimated by the World Bank at \$8.4 billion in 2010. It has been reported that a number of Lebanese abroad are involved in underground finance and trade-based money laundering (TBML) activities. In 2011, Lebanese Canadian Bank was designated as a financial institution of primary money laundering concern under Section 311 of the USA PATRIOT Act.

Laundered proceeds come primarily from foreign criminal activity and organized crime, and Hizballah, which the United States has designated as a terrorist organization; though the Government of Lebanon (GOL) does not recognize this designation. Domestically, there is a black market for cigarettes, cars, counterfeit consumer goods, and pirated software, CDs and DVDs. However, the sale of these goods does not generate significant proceeds that are laundered through the formal banking system. In addition, the domestic illicit narcotics trade is not a principal source of laundered proceeds.

Lebanese expatriates in Africa and South America have established financial systems outside the formal financial sector, and some are reportedly involved in TBML schemes. Lebanese diamond brokers and purchasing agents are reportedly part of an international network of traders who participate in underground activities including the trafficking of conflict diamonds, diamond trade fraud (the circumvention of the Kimberly process) and TBML.

Exchange houses are reportedly used to facilitate money laundering and terrorism financing, including by Hizballah. Although offshore banking, trust and insurance companies are not permitted in Lebanon, the government has provisions regarding activities of offshore companies and transactions conducted outside Lebanon or in the Lebanese Customs Free Zone. Offshore companies can issue bearer shares. There are also two free trade zones (FTZ) operating in Lebanon: the Port of Beirut and the Port of Tripoli. FTZs fall under the supervision of the Customs Authority.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sale companies, high-value goods merchants (jewelry, precious stones, gold, works of art, archeological artifacts)

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 151 from December 2010 until October 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: : Banks, lending institutions, money dealers, financial brokerage firms, leasing companies, mutual funds, insurance companies, real estate developers, promotion and sale companies, high-value goods merchants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Seven - December 2010 through October 2011

Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Lebanon is a member of Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://www.menafatf.org/MER/MutualEvaluationReportoftheLebaneseRepublic-English.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Lebanon is seeking to finalize a regulation which would add predicate offenses to the existing money laundering law 318/2001. The draft legislation would also impose financial penalties on obliged entities for reporting violations, and oblige lawyers and accountants to report suspicious transactions.

A December 2010 amendment to circular 83 provides for enhanced due diligence procedures for foreign PEPs. Lebanon's financial intelligence unit, the Special Investigations Commission (SIC), has issued a number of circulars amending the regulations on the control of financial and banking operations for fighting money laundering and terrorism financing; all address exchange institutions and/or transactions with exchange institutions, or the cross-border transportation of cash, metal coins and bullion. The trading of bearer shares of unlisted companies remains a vulnerability, and the GOL should take action to immobilize those shares.

Although the number of filed STRs and subsequent money laundering investigations coordinated by the SIC has steadily increased over the years, prosecutions and convictions are still lacking. In addition, there should be more emphasis on proactive targeting and not simply a reliance on STRs filed by financial institutions to initiate investigations. This could be attributable to a lack of political will to effectively prosecute cases or a lack of resources and familiarity with AML/CFT standards. Corruption also touches all aspects of Lebanese society, which may impede prosecution efforts.

Lebanon's Internal Security Forces (ISF) received 49 SIC referrals and 22 Interpol notices to investigate money laundering and terrorist financing activities but there were no subsequent arrests or prosecutions. The ISF Money Laundering Department staff lacks the training and skill set to conduct effective money laundering investigations, as well as equipment and software programs to effectively track cases. Additionally, there is lackluster coordination among law enforcement entities. Linking the efforts of all concerned authorities and monitoring the effectiveness and efficiency of the AML/CFT system in general might improve the system's effectiveness. The GOL should encourage more efficient cooperation, including the development of task forces, between financial investigators and other relevant agencies such as Customs, the ISF, the SIC, and the judiciary. The GOL also should consider amending its legislation to allow a greater ability to provide forfeiture cooperation internationally and also provide authority for the return of fraudulent proceeds.

Customs is required to inform the FIU of suspected TBML or terrorist financing; however, high levels of corruption within Customs create the potential to compromise effectiveness on measures addressing vulnerabilities for TBML and other threats. The GOL should enforce cross-border currency reporting. Existing safeguards also do not address the issue of the laundering of diamonds. Law enforcement authorities should examine domestic ties to the international network of Lebanese brokers and traders.

Lebanon should increase efforts to disrupt and dismantle terrorist financing efforts, including those carried out by Hizballah. Finally, the GOL should become a party to the UN International Convention for the Suppression of the Financing of Terrorism.

Liechtenstein

The Principality of Liechtenstein has a well-developed offshore financial services sector, liberal incorporation and corporate governance rules, relatively low tax rates, and a tradition of strict bank secrecy. All of these conditions significantly contribute to the ability of financial intermediaries in Liechtenstein to attract both licit and illicit funds from abroad. Liechtenstein's financial services sector includes 17 banks, 107 asset management companies, 40 insurance companies and 71 insurance intermediaries, 33 pension schemes and six pension funds, 392 trust companies and 21 fund management companies with approximately 469 investment undertakings (funds), and 637 other financial intermediaries. The three largest banks control 85% of the market.

In recent years the Principality has made continued progress in its efforts against money laundering as banking secrecy has been softened to allow for greater cooperation with other countries to identify tax evasion. The Liechtenstein Government has recognized the OECD standard as the global standard in tax cooperation and has renegotiated a series of double taxation agreements to include administrative assistance on tax evasion cases.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES ***Domestic:*** YES
KYC covered entities: Banks, securities and insurance brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high value goods; insurance companies; lawyers; money exchangers or remitters; casinos; the Liechtenstein Post Ltd.; and individuals acting as intermediaries in bank lending, money transactions, trading of currencies, or dealing in matters of wealth management and investment advice

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 328 in 2010
Number of CTRs received and time frame: Not applicable
STR covered entities: Banks, securities and insurance brokers; money exchangers or remitters; financial management firms, investment companies, and real estate companies; dealers in high value goods; insurance companies; lawyers; money exchangers or remitters; casinos; the Liechtenstein Post Ltd.; and individuals acting as intermediaries in bank lending,

money transactions, trading of currencies, or dealing in matters of wealth management and investment advice

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Seven from October 19, 2010 to October 31, 2011

Convictions: None from October 19, 2010 to October 31, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanisms:** YES

With other governments/jurisdictions: YES

Liechtenstein is a member of the Council of Europe Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Liechtenstein_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Because there are no laws for declaration of currency and monetary instruments, Liechtenstein's authorities cannot effectively conduct bulk cash investigations.

Liechtenstein has shown an important effort to improve deficiencies in combating money laundering. The 2010 reporting year saw a new record high number of suspicious activity reports (SARs), an increase of 39.6% over 2009. Nearly half (47.6%) of the SARs were based on fraud concerns; 8.8% on money laundering; and 30.6% on the other enumerated offense categories. In 2010, 83.8% of Liechtenstein's SARs were forwarded to the Office of the Public Prosecutor. No SARs were submitted for suspected terrorist financing. The present SAR reporting requirements do not clearly indicate whether attempted transactions relating to funds used in connection with terrorism are covered.

In practice, many of the customer characteristics often considered high-risk in other locales, including non-resident and trust or asset management accounts, are considered routine in Liechtenstein, subject only to normal customer due diligence procedures. Liechtenstein also decided not to include entities with bearer shares, trusts and foundations, or entities registered in privately-held databases in the high-risk category. Liechtenstein should consider reviewing whether this decision makes its financial system more vulnerable to illegal activities.

There are reportedly no abuses of non-profit organizations, alternative remittance systems, offshore sectors, free trade zones, bearer shares, or other specific sectors.

Luxembourg

Despite its standing as the second-smallest member of the European Union (EU), Luxembourg is one of the largest financial centers in the world. It also operates as an offshore financial center. Although there are a handful of domestic banks operating in the country, the majority of banks registered in Luxembourg are foreign subsidiaries of banks in Germany, Belgium, France, Italy,

and Switzerland. While Luxembourg is not a major hub for illicit narcotics distribution, the size and sophistication of its financial sector create opportunities for money laundering, tax evasion, and other financial crimes.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: Combination of listed crimes and a penalty threshold

Legal persons covered: ***criminally:*** YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: ***Foreign:*** YES ***Domestic:*** NO

KYC covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication networks operators; insurance brokers and providers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and high value goods dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 7,741 as of November 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks and payment institutions; investment, tax, and economic advisers; brokers, custodians, and underwriters of financial instruments; commission agents, private portfolio managers, and market makers; managers and distributors of units/shares in undertakings for collective investments (UCIs); financial intermediation firms, registrar agents, management companies, trust and company service providers, and operators of a regulated market authorized in Luxembourg; foreign exchange cash operations; debt recovery and lending operations; pension funds and mutual savings fund administrators; corporate domiciliation agents, company formation and management services, client communication agents, and financial sector administrative agents; primary and secondary financial sector IT systems and communication networks operators; insurance brokers and providers; auditors, accountants, notaries, and lawyers; casinos and gaming establishments; real estate agents; and high value goods dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 127 as of November 2011

Convictions: 77 as of November 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Luxembourg is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_70591_43383847_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

During 2011, competent authorities were busy implementing the comprehensive package of legislative and administrative actions that were put in place in 2010, notably the Law of October 27, 2010. This law introduces important changes to AML/CFT provisions and prescribes changes to 20 existing pieces of legislation. Most visibly, the financial intelligence unit (FIU) expanded its capabilities through the hiring of additional analysts and continued preparations for an enlargement of the FIU premises. Nevertheless, state prosecution officials have called publicly for further resources, notably more analysts. In response to these requests, the Ministry of Justice has pledged to continue supporting the state prosecution, and the FIU in particular, with the level of resources needed to fulfill its responsibilities. In terms of quantitative data, the number of transaction reports, money laundering criminal prosecutions, and convictions has risen in comparison to 2010 following the systematic implementation of the new legislation.

Macau

Macau, a Special Administrative Region (SAR) of the People's Republic of China, is not a significant regional financial center. However, with reported gaming revenues of \$30.5 billion from January to November 2011, Macau is the world's largest gaming market by revenue. Macau's gaming industry relies heavily on loosely-regulated gaming promoters, known as junket operators, for the supply of gamblers mostly from nearby mainland China. Increasingly popular among gamblers seeking inscrutability and alternatives to China's currency movement restrictions, junket operators are also popular among casinos aiming to reduce credit default risk and unable to legally collect gambling debts in China. This inherent conflict of interest, together with the anonymity gained through the use of the junket operator in the transfer and commingling of funds, as well as the absence of currency and exchange controls, present vulnerabilities for money laundering. Primary sources of criminal proceeds in Macau, attributed to criminal networks spanning across Macau's boundary with mainland China, are: gaming-related crimes, robbery offenses, corruption, organized crime, and narcotics crimes.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, credit and insurance entities, casinos, gaming intermediaries, remittance agents and money changers, cash couriers, trust and company service providers, realty services, pawn shops, traders in high-value goods, notaries, registrars, commercial offshore service institutions, lawyers, auditors, accountants, and tax consultants

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,190 from January to September 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: All persons, irrespective of entity or amount of transaction involved

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None from January to June 2011

Convictions: One from January to June 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Macau is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here:

<http://www.apgml.org/documents/docs/17/Macao%20ME2%20-%20FINAL.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although Macau has no formal law enforcement cooperation agreements with the United States, informal cooperation between the two routinely takes place. U.S. government agencies work closely with Macau counterparts in capacity building measures, information exchange, and investigations. Macau’s financial intelligence unit (FIU) has been an essential component in coordinating AML/CFT efforts and collaborates with other FIUs. The Government of Macau (GOM) established the FIU in 2006 as a non-permanent government entity in order to avoid having to seek legislative approval. The FIU’s current term expires in August 2012. The GOM should permanently institutionalize its FIU without term limits given its crucial role in sustaining a long-term AML/CFT infrastructure.

The AML law does not require currency transaction reporting (CTR). However, gaming entities are subject to threshold reporting (over MOP 500,000, approximately \$62,450) under the supplementary guidelines of the Gaming Inspection and Coordination Bureau (DICJ). Currently, the DICJ only shares statistical data on CTR filings with the FIU. To enhance the FIU’s ability to detect and deter illicit activity, the FIU should have full access to CTR reports collected by DICJ.

Under current regulatory guidelines, financial institutions are obligated and do identify and freeze suspect bank accounts or transactions. However, the GOM cannot provide mutual legal assistance on AML/CFT under existing legislation. Macau should enhance its ability to support

international efforts by developing its legal framework to facilitate the freezing and seizure of assets. The GOM can provide mutual legal assistance on criminal matters, even without a formal agreement, and cooperation between the GOM and the United States routinely takes place.

Macau continues making considerable efforts to develop an AML/CFT framework that meets international standards. It should continue to strengthen interagency coordination to prevent money laundering in the gaming industry, especially by introducing robust oversight of junket operators. It also should implement mandatory cross-border currency reporting requirements.

As a SAR of China, Macau cannot sign or ratify international conventions in its own right. Rather, China is responsible for Macau's international affairs and may arrange for the ratification of any convention to be extended to Macau. The 1988 Drug Convention was extended to Macau in 1999. The UN Convention against Transnational Organized Crime was extended to Macau in 2003. The UN Convention against Corruption and the International Convention for the Suppression of the Financing of Terrorism were extended to Macau in 2006.

Mexico

Mexico is a major drug-producing and drug-transit country. Proceeds from the illicit drug trade leaving the United States are the principal source of funds laundered through the Mexican financial system. Other significant sources of laundered proceeds include corruption, kidnapping, and trafficking in firearms and persons. Sophisticated and well-organized drug trafficking organizations based in Mexico take advantage of the extensive U.S.-Mexico border, the large flow of legitimate remittances, and the high volume of legal commerce to conceal transfers to Mexico. The smuggling of bulk shipments of U.S. currency into Mexico and the repatriation of the funds into the United States via couriers, armored vehicles, and wire transfers remain favored methods for laundering drug proceeds. The combination of a sophisticated financial sector and a large cash-based informal sector complicates the problem. According to U.S. authorities, drug trafficking organizations send between \$19 and \$39 billion annually to Mexico from the United States, although the Government of Mexico (GOM) disputes this figure. Mexico has seized over \$500 million in bulk currency shipments since 2002.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes

Legal persons covered: *criminally:* NO *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, centros cambiarios (unlicensed foreign exchange centers), savings and loans institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), and general deposit warehouses

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 36,040 - January through September 2011

Number of CTRs received and time frame: 4.1 million - January through September 2011

STR covered entities: Banks, mutual savings companies, insurance companies, securities brokers, retirement and investment funds, financial leasing and factoring funds, casas de cambio, centros cambiarios (unlicensed foreign exchange centers), savings and loans institutions, money remitters, SOFOMES (multiple purpose corporate entity), SOFOLES (limited purpose corporate entity), and general deposit warehouses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 54 from January to October 2011

Convictions: 13 from January to July 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Mexico is a member of the Financial Action Task Force (FATF) and the Financial Action Task Force on Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/document/20/0,3343,en_32250379_32236963_41911956_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The GOM has taken some important steps to reduce the use of cash in the economy and prevent the laundering of illicit drugs proceeds in U.S. dollars (USD); however, the package of bills submitted in August 2010 to further enhance anti-money laundering regulations remains in limbo in the Mexican Congress. In June 2010, the Finance Ministry implemented regulations imposing limits on USD transactions in Mexico. The caps, which later were eased for border areas, are applicable to cash transactions from dollars to pesos, including deposits, credit payments, and service fees. In addition to limiting transaction amounts for individuals, all USD transactions are prohibited by the regulation for corporate entities and trusts (including account and non-account holding entities), except for those which are accountholders located in border or tourist areas, for which transactions are limited. The impact of the restrictions has been dramatic, with USD cash repatriation to the U.S. from the Mexican formal financial sector dropping by 50%, or \$7 billion. The new destination for the USD cash no longer entering the Mexican financial system remains an open question. Recent data does not support the hypothesis that the flows would be redirected to Central America and/or the Caribbean. U.S. and Mexican authorities have agreed to continue studying the flow of U.S. currency.

In 2010, the GOM announced the National Strategy for the Prevention and Elimination of Money Laundering and Financing for Terrorism. On April 14, 2011, the Federal Executive sent to Congress a Bill of Decree by which the Federal Criminal Code and the Federal Criminal

Procedures Code are to be amended. The bill includes a modification to the Federal Criminal Code in order to expressly establish that a legal person is liable for any money laundering/terrorist financing crimes, among others, committed by any of its legal representatives acting on its behalf. The bill is currently under review by the Senate. The government also submitted a federal law for the Prevention and Identification of Transactions with Criminal Proceeds, which was approved by the Senate on April 28, 2011, and is currently under review by the Congress. The bill includes, among other important aspects, restrictions on the use of cash in certain transactions (i.e., real estate, jewelry, precious stones and metals, games and lotteries, accounting and legal services).

On August 3, 2011, amendments were issued to the General Law of Auxiliary Credit Organizations and Activities to establish the National Banking and Securities Commission (CNBV) as the supervisory authority for AML/CFT with regard to centros cambiarios, money remitters and non-regulated SOFOMES. This authority will be transferred from the Tax Administration System (SAT) to CNBV. The change was made in recognition that the broad experience of CNBV on AML/CFT issues and its risk-based approach to supervision will allow for better oversight of these entities. The amendment provides for a transition period of 240 days. The existing centros cambiarios and money remitters that registered prior to August 4, 2011, or that requested their registration prior to November 1, 2011, may continue with their operations if SAT approves their registration. If the registration is denied, they must suspend their operations. Any new centros cambiarios or money remitters which did not request registration prior to November 1, 2011 are prohibited from initiating operations until receipt of confirmation of registration by SAT. After March 30, 2012, all requests for registration shall be reviewed by CNBV. The general rule establishes that centros cambiarios may only provide the services of buying, selling or exchanging currency, within certain company formation restrictions and with prior authorization from the Ministry of Finance and Public Credit. An exception to the need for prior authorization is established for centros cambiarios that provide the aforementioned services and do not exceed the threshold of \$10,000 per client per day.

In 2011, the GOM also issued a number of AML/CFT regulations covering financial entities; specifically: General Provisions applicable to Auxiliary Credit Organizations (issued on 5/31/11); General Provisions applicable to SOFOLES (issued on 3/17/11); and General Provisions applicable to SOFOMES (issued on 3/17/11). These regulations strengthen reporting requirements and expand the range of entities covered under AML/CFT provisions. The regulations represent concrete steps forward, though until the final passage by the Senate of the 2010 package of anti-money laundering bills Mexico's regulatory framework will remain incomplete.

Mexico should amend its terrorist financing legislation to fully comport with the UN Convention for the Suppression of the Financing of Terrorism; and enact legislation and procedures to freeze without delay terrorist assets of those designated by the UN 1267 Sanctions Committee.

Netherlands

The Netherlands is a major financial center and consequently an attractive venue for laundering funds generated from illicit activities, including activities often related to the sale of cocaine, cannabis, or synthetic and designer drugs, such as ecstasy. Financial fraud, especially tax-

evasion, is believed to generate a considerable portion of domestic money laundering. There are a few indications of syndicate-type structures in organized crime or money laundering, but there is virtually no black market for smuggled goods in the Netherlands. Although under the Schengen Accord there are no formal controls on national borders within the European Union (EU), the Dutch authorities run special operations in the border areas with Germany and Belgium to keep smuggling to a minimum.

Six islands in the Caribbean fall under the jurisdiction of the Netherlands. Bonaire, St. Eustasius, and Saba are special municipalities of the country the Netherlands. Aruba, Curacao, and St. Maarten are countries within the Kingdom of the Netherlands.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high-value goods, other traders, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil-law notaries, trust and asset administrative companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 117,000 in 2010
Number of CTRs received and time frame: 66,000 in 2010
STR covered entities: Banks, credit institutions, securities and investment institutions, providers of money transaction services, life insurers and insurance brokers, credit card companies, casinos, traders in high-value goods, other traders, accountants, lawyers and independent legal consultants, business economic consultants, tax consultants, real estate brokers, estate agents, civil-law notaries, trust and asset administrative companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 1,300 in 2010
Convictions: 812 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES
With other governments/jurisdictions: YES

The Netherlands is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/document/50/0,3746,en_32250379_32236963_47221490_1_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

In June 2008, the Netherlands Court of Audit published its investigation of the Government of the Netherlands' policy for combating money laundering and terrorist financing. The report criticizes the Ministries of Interior, Finance, and Justice for: lack of information sharing among them; too little use of asset seizure powers; limited financial crime expertise and capacity within law enforcement; and light supervision of notaries, lawyers, and accountants. Similar deficiencies were seen during the more recent mutual evaluation of the Netherlands. The ministries agreed in large part with these conclusions and have taken steps to address them, including hiring financial crime experts in law enforcement and introducing new laws to strengthen the ability of law enforcement to tackle money laundering.

The Netherlands has established an "unusual transaction" reporting system. Designated entities are required to file unusual transaction reports (UTRs) with the FIU on any transaction that appears unusual (applying a broader standard than "suspicious") or when there is reason to believe that a transaction is connected with money laundering or terrorist financing. The FIU investigates UTRs and forwards them to law enforcement for criminal investigation; once the FIU forwards the report, the report is then classified as a STR. Draft legislation is pending to strengthen the reporting regime and enact stronger KYC rules.

In response to criticisms concerning the operational independence and effectiveness of the Dutch financial intelligence unit (FIU), a discussion on how to ensure FIU operational independence is underway. The FIU is currently part of the police, which itself is undergoing reforms.

In September 2011 the Dutch parliament passed a bill modernizing the supervision of notaries. Comprehensive supervision will be conducted by an independent supervisory body with investigative powers, with the use of confidential information about clients strictly limited to action against notaries. A similar legislative proposal is being prepared concerning the supervision of lawyers and is expected to be introduced in parliament in 2012.

The United States enjoys strong cooperation with the Netherlands in fighting international crime, including money laundering. One provision included in the U.S.-EU mutual legal assistance agreement, which the Netherlands has ratified, will facilitate the exchange of information on bank accounts. The Dutch Ministry of Security and Justice and the National Police work together with U.S. law enforcement authorities in the Netherlands on operational money laundering initiatives.

Due to legal and political changes, asset seizure has become a priority in money laundering cases. The assignment of dedicated money laundering prosecutors is bringing change to historically low asset seizure rates. A Steering Committee has been created to discuss and assign cases to the appropriate investigative unit. To further increase the confiscation of criminal assets, the Dutch Minister of Security and Justice introduced a new law including confiscation as a standard procedure of any money-driven criminal case, aimed at increasing law enforcement agencies' capacity to take such action.

A Rotterdam Court sentenced seven people in February 2011 for involvement in international drug trafficking and money laundering. The main suspect was sentenced to three years and nine months, and €4.5 million (approximately \$5.927 million) cash was forfeited. The convicted group had direct connections with Colombian drug cartels. In April 2011, a court in The Hague sentenced a Dutch man to six years and four months for money laundering, blackmailing, violent robbery, and other serious crimes. Eleven other people in the same case received sentences of from 30 months to five years.

Nigeria

Nigeria remains a major drug trans-shipment point and a significant center for criminal financial activity. Individuals and criminal and terrorist organizations take advantage of the country's location, porous borders, weak laws, corruption, lack of enforcement, and poor socio-economic conditions to launder the proceeds of crime. The proceeds of illicit drugs in Nigeria derive largely from foreign criminal activity rather than domestic activities. One of the schemes used by drug traffickers to repatriate and launder their proceeds involves the importation of various commodities, predominantly luxury cars and other items such as textiles, computers, and mobile telephone units. Drug traffickers reportedly also use Nigerian financial institutions for currency transactions involving U.S. dollars derived from illicit drugs.

Proceeds from drug trafficking, illegal oil bunkering, bribery and embezzlement, contraband smuggling, theft, and financial crimes, such as bank fraud, real estate fraud, and identity theft, constitute major sources of illicit proceeds in Nigeria. Advance fee fraud, also known as “419 fraud” in reference to the fraud section in Nigeria’s criminal code, remains a lucrative financial crime that generates hundreds of millions of illicit dollars annually. Money laundering in Nigeria takes many forms, including: investment in real estate; wire transfers to offshore banks; political party financing; deposits in foreign bank accounts; use of professional services, such as lawyers, accountants, and investment advisers; and cash smuggling. Nigerian criminal enterprises adeptly devise ways to subvert international and domestic law enforcement efforts and evade detection.

Nigeria’s AML/CFT progress in 2011 relative to its action plan was not considered sufficient by the Financial Action Task Force (FATF), which highlighted Nigeria’s lack of adequate progress by adding Nigeria to its October 2011 Public Statement.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks, investment and securities dealers/brokers, and discount houses; insurance institutions; debt factorization and conversion firms, bureau de change, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project consultancy, financial consultancy, or pension funds management; dealers in jewelry, cars and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 2,306 from October 1, 2010 – September 30, 2011

Number of CTRs received and time frame: 11,580,836 from October 1, 2010 – September 30, 2011

STR covered entities: Banks, investment and securities dealers/brokers, and discount houses; insurance institutions; debt factorization and conversion firms, bureau de change, and finance companies; money brokerage firms whose principal business includes factoring, project financing, equipment leasing, debt administration, fund management, private ledger service, investment management, local purchase order financing, export finance, project consultancy, financial consultancy, or pension funds management; dealers in jewelry, cars and luxury goods; chartered accountants, audit firms, and tax consultants; clearing and settlement companies and legal practitioners; hotels, casinos, and supermarkets

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 639 from October 1, 2010 – September 30, 2011

Convictions: 73 from October 1, 2010 – September 30, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdiction: YES

Nigeria is a member of the Inter Governmental Action Group against Money Laundering in West Africa (GIABA), a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.giaba.org/index.php?type=c&id=49&mod=2&men=2>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Nigerian authorities should work toward full implementation of a regime capable of thwarting money laundering and terrorist financing. In 2011, Nigeria enacted a new Money Laundering (Prohibition) Act (MLPA), which introduces the concept of corporate criminal liability (“offenses of a body corporate”), and a new Terrorism (Prevention) Act (TPA), which includes some new provisions on terrorist financing and the freezing and seizure of assets. The Government of Nigeria (GON) should ensure its anti-money laundering legislation comports with international standards and covers all the recommended predicate offenses, including terrorist financing. Currently, terrorist financing is not listed as a predicate offense for money laundering. The new TPA represents progress toward criminalizing terrorist financing, but it

may not do so consistent with international standards. The GON should amend the law as needed to bring it into compliance.

Weak law enforcement and justice sector issues have hindered the progress of and thwarted many prosecutions and investigations. The GON should ensure the autonomy and independence of the Economic and Financial Crimes Commission (EFCC) and the Nigerian Financial Intelligence Unit (NFIU) from political pressures. The GON also should strengthen its supervision of designated non-financial businesses and professions. Moreover, the GON should ensure the range of agencies that pursue money laundering cases, including the EFCC, Nigerian Drug Law Enforcement Agency, Independent Corrupt Practices and Other Related Offences Commission, Nigerian Agency for the Prevention of Trafficking in Persons, and National Police Force have the capacity to function as investigative partners in financial crimes cases, as well as work to eradicate any corruption existing within law enforcement bodies. The National Assembly should amend the 2011 MLPA to provide for increased autonomy of the NFIU and adopt safe harbor provisions to protect STR reporting entities. The GON should consider developing a cadre of specially trained judges with dedicated portfolios in order to handle financial crime cases effectively, and the National Assembly also should adopt a non-conviction based asset forfeiture bill.

Pakistan

Pakistan continues to suffer from financial crimes related to narcotics trafficking, terrorism, smuggling, tax evasion, corruption, counterfeit goods and fraud. Pakistani criminal networks play a central role in the transshipment of narcotics and smuggled goods from Afghanistan to international markets. The abuse of the charitable sector, trade-based money laundering, money exchange companies, hawala/hundi, and bulk cash smuggling are common methods used to launder money in Pakistan and the region. Pakistan's real estate sector is also a popular destination for illicit funds, as many real estate transactions are poorly documented. Pakistan does not have firm control of its borders with Afghanistan, Iran or China, which facilitates the flow of smuggled goods to and from the Federally Administered Tribal Areas and Baluchistan.

Money laundering often occurs in Pakistan in both the formal and informal systems. Fraudulent invoicing is typical in hawala/hundi counter-valuation schemes. Legitimate remittances from Pakistani expatriates residing abroad flow through the formal banking sector, licensed money exchange businesses, and hawalas. Since the start of the calendar year through October remittances totaled \$14 billion, and since March have averaged roughly \$1 billion per month. The authorities do not provide an estimate of remittances that flowed through informal channels.

Pakistan was first publicly identified by the Financial Action Task Force (FATF) in February 2008 for deficiencies in its anti-money laundering/counter terrorist financing (AML/CFT) regime. While Pakistan has taken some steps to improve its AML regime, the FATF continues to note Pakistan's failure to adequately implement its action plan and correct AML/CFT deficiencies, particularly its terrorism finance law.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, agricultural credit institutions, money exchangers, accountants, notaries, gaming centers, auto dealers and securities dealers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 535 from July 2010 to May 31, 2011

Number of CTRs received and time frame: 138 from January 2009 through December 2010

STR covered entities: Banks, agricultural credit institutions, money exchangers, notaries, gaming centers, and securities dealers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Four from January 2009 to October 2010

Convictions: None in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* NO

With other governments/jurisdictions: YES

Pakistan is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.apgml.org/documents/docs/17/Pakistan%20MER%20-%20final%20version.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

To gain more oversight of the informal money transfer sector, the State Bank of Pakistan (SBP) requires all money exchange companies to obtain licenses and meet minimum capital requirements. As a result, it is illegal for money exchange companies, referred to as hawala/hundi, to operate without a license; however, few hawalas have been registered by the authorities, and unlicensed hawaladars continue to operate illegally throughout Pakistan (particularly in Peshawar and Karachi). While the SBP has implemented the licensing of all money exchange companies and hawalas, the enforcement environment is not commensurate with SBP's regulations. Shortcomings in the enforcement of the regulations, particularly in the movement of cash, makes Pakistan's informal financial sector consistently vulnerable to abuse by illicit actors.

Pakistan continues to have serious deficiencies in its AML regime. To address these it must: remove remaining inadequacies with regard to the criminalization of money laundering; demonstrate effective regulation of money service providers, including an appropriate sanctions

regime and increasing the range of ML preventive measures for these services; and improve and implement effective controls for cross-border cash transactions. Pakistan needs to demonstrate that not only does it have AML laws on the books, but that these laws are enforced. To date, Pakistan has a poor track record. Between January 2009 and October 2010 there have been only four prosecutions and zero convictions under the AML law due to limited resources and lack of capacity.

Panama

Panama's strategic geographic location and status as a regional financial center make it an attractive jurisdiction for money launderers. Panama's success in establishing itself as a regional business and logistics hub, based on the success of its ports, airport and the Colon Free Zone – the second largest free trade zone in the world – have enhanced its attractiveness for organizations engaged in illicit financial activities. Money laundering in Panama is believed to be primarily related to the laundering of the proceeds of drug trafficking, and the country sits along major drug trafficking routes. The work of launderers is facilitated by weaknesses in the regulatory framework, notably the existence of bearer share corporations, but more importantly by uneven enforcement of anti-money laundering measures and the weak judicial system, which is susceptible to corruption and favoritism.

After negotiating and signing 13 Double Taxation Treaties with OECD members, and ratifying the Tax Information Exchange Agreement with the United States in 2010, Panama achieved removal from the OECD's gray list of tax havens in July 2011.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: NO

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

KYC covered entities: Banks, savings cooperatives, savings and mortgage banks, and money exchanges; investment houses and brokerage firms; insurance and reinsurance companies; fiduciaries; casinos; free trade zone companies; finance companies; real estate brokers; and lawyers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 563 in 2010

Number of CTRs received and time frame: 495,546 in 2010

STR covered entities: Banks, cooperatives, and money exchanges; casinos; fiduciaries; insurance companies; government entities focused on the lottery; and investment houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: 22 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Panama is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafic.org/downloadables/mer/Panama_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafic.org/downloadables/mer/Panama_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Panama cooperates well with U.S. law enforcement agencies. However, the notable successes the Government of Panama (GOP) has had in interdicting flows of illegal drugs have not been matched by similar success in addressing money laundering concerns. The various government agencies tasked with addressing money laundering remain fractured and under-resourced, and communicate poorly with one another. Panama's financial intelligence unit, the UAF, in particular, lacks the resources to process and investigate, let alone enforce, reporting requirements on suspicious transactions. The judicial branch's capacity to successfully try and convict money launderers remains weak, and judges remain susceptible to corruption. Although the GOP took a step forward with the introduction of know-your-client legislation requiring lawyers to conduct due diligence into the beneficial owners of the companies they incorporate, the continued existence of bearer shares corporations remains a vulnerability of the anti-money laundering regulatory framework.

Panama, through its Customs Authority, is taking steps to reduce the use of Tocumen Airport as an artery for cash couriers to move cash into Panama. More targeted enforcement action, in collaboration with U.S. law enforcement agencies, has led to increased scrutiny of passengers and notable seizures of undeclared cash at the airport.

Customs also has been effective in disrupting trade-based money laundering through the partnership of the Panamanian and U.S. trade transparency units (TTU). Established in 2010 by U.S. Immigration and Customs Enforcement and Panama's Customs authority, the Panamanian TTU has had significant success. Despite these advances, Customs lacks sufficient resources to fulfill its mandate.

The Colon Free Trade Zone (CFZ) continues to be vulnerable to abuse by criminal groups through illicit financial activities, due primarily to insufficient enforcement of existing controls. The new electronic transaction recording information system, when fully implemented, will improve capacity to trace transactions. Bulk cash is relatively easily introduced into the country by declaring it is for use in the CFZ. A new resolution, published December 14, 2011, improves the AML/CFT framework in the CFZ. The resolution has 25 articles that supersede and include all the provisions of law 42 of 2000 and Decree JD-008 of 2008. It will enter into force 60 days

after publication. Among the items addressed are the requirement to have a compliance officer in each company; implementation of preventative measures, supervision, inspection and sanctions; STR and CTR reporting; and know your customer policies.

During 2011, the GOP took steps to continue to improve the legislative framework governing anti-money laundering and financial sector transparency. In 2011, Panama passed legislation (Law 2 of 2011) requiring lawyers to know their clients, conduct due diligence on the beneficial ownership of corporations they establish and share that information with the authorities upon request. These steps have strengthened Panama's regulatory framework. Panama also is drafting new anti-money laundering legislation, which would strengthen the UAF's authority and increase the number of sectors required to report suspicious transactions.

If the GOP continues its efforts to improve its anti-money laundering legal framework, particularly eliminating bearer shares, criminalizing "tipping off," improving the strength of the prosecutor's office and the judicial system, and creating a more transparent financial network, money laundering will become more difficult within Panama's borders.

Paraguay

Paraguay is a major drug transit country and money laundering center. A multi-billion dollar contraband trade, fed in part by endemic, institutional corruption, occurs in the border region shared with Argentina and Brazil (the tri-border area, or TBA) and facilitates much of the money laundering in Paraguay. While the Government of Paraguay (GOP) suspects proceeds from narcotics trafficking are often laundered in the country, it is difficult to determine what percentage of the total amount of laundered funds is generated from narcotics sales or is controlled by domestic and/or international drug trafficking organizations, organized crime, or terrorist groups. Weak controls in the financial sector, open borders, bearer shares, casinos, a surfeit of unregulated exchange houses, lax or non-enforcement of cross-border transportation of currency and negotiable instruments, ineffective and/or corrupt customs inspectors and police, and minimal enforcement activity for financial crimes allows money launderers, transnational criminal syndicates, and possible terrorist financiers to take advantage of Paraguay's financial system.

Ciudad del Este, on Paraguay's border with Brazil and Argentina, represents the heart of Paraguay's "informal" economy, estimated to be double Paraguay's \$18 billion GDP. The area is well known for arms and narcotics trafficking, document forging, smuggling, counterfeiting, and violations of intellectual property rights, with the illicit proceeds from these crimes a source of laundered funds. Some proceeds of these illicit activities have been supplied to terrorist organizations, and trade-based money laundering occurs in the region.

As a land-locked nation, Paraguay does not have an offshore sector. Paraguay's port authority manages free trade ports and warehouses in Argentina (Buenos Aires and Rosario); Brazil (Paranagua, Santos, and Rio Grande do Sul); Chile (Antofagasta and Mejillones); and Uruguay (Montevideo and Nueva Palmira).

Money laundering likely occurs in the formal financial sector and definitely occurs in the non-bank financial sector, particularly exchange houses, which are often used to move illicit proceeds

both from within and outside Paraguay into the U.S. banking system. Large sums of dollars generated from normal commercial activity and suspected illicit commercial activity are also transported physically from Paraguay to Uruguay and Brazil, with onward transfers likely to destinations including banking centers in the United States

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: YES

KYC covered entities: Banks, finance companies, insurance companies, exchange houses, stock exchanges and securities dealers, investment companies, trust companies, mutual and pension fund administrators, credit and consumer cooperatives, gaming entities, real estate brokers, nongovernmental organizations, pawn shops, and dealers in precious stones, metals, art, and antiques

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 279 - January 2011 to November 2011

Number of CTRs received and time frame: 1,341,162 in 2010

STR covered entities: Banks, finance companies, insurance companies, exchange houses, stock exchanges and securities dealers, investment companies, trust companies, mutual and pension fund administrators, credit and consumer cooperatives, gaming entities, real estate brokers, nongovernmental organizations, pawn shops, and dealers in precious stones, metals, art, and antiques

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Five in 2011

Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Paraguay is a member of the Financial Action Task Force (FATF) against Money Laundering in South America (GAFISUD), a FATF-style regional body. Its most recent evaluation, conducted by the IMF, can be found here: <http://www.imf.org/external/pubs/ft/scr/2009/cr09235.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

For reporting entities that do not have a natural supervisory authority, the Secretariat for the Prevention of Laundering of Money or Assets (SEPRELAD) is the competent supervisor. SEPRELAD's budget has increased by 166% from 2008 to 2011. SEPRELAD increased its staff approximately 20% in 2011 and has made considerable investment in infrastructure, software updates and equipment. The 2011 STR numbers dropped significantly from the 812 reported in 2010 due to the implementation of new software at SEPRELAD that better establishes the requirements for an STR for obligated institutions.

The GOP took a welcomed step forward in regard to implementation of UNSCR 1267 in October 2011 when it passed a long-awaited asset freezing law that enables SEPRELAD to freeze the assets of designated terrorist financiers, or those conducting transactions with UN designated terrorists or terrorist financiers, indefinitely in as little as 36 hours once notification of UN designation is sent or a request from a foreign country relating to UNSCR 1373 is received. The new law complements the June 2010 anti-terrorism legislation criminalizing terrorist financing.

Prosecutors handling financial crimes have limited resources to investigate and prosecute. In addition, the selection of judges, prosecutors and public defenders is largely based on politics, nepotism, and influence peddling. The lack of interagency cooperation throughout Paraguay, and particularly within law enforcement, is an impediment to effective enforcement, prosecution, and reporting efforts.

Asset forfeiture legislation is desperately needed in Paraguay. Apart from the new asset freezing law, Paraguayan law does not provide for freezing or seizure of many criminally derived assets. Law enforcement can only freeze assets of persons under investigation for a crime in which the state risks loss of revenue from furtherance of a criminal act, such as tax evasion. Enforcement agencies have limited authority to seize or forfeit assets of suspected money launderers and do not include bank accounts. When a seizure does occur, law enforcement authorities cannot dispose of these assets until a defendant is convicted, which frequently takes years.

The non-bank financial sector operates in a weak regulatory environment with limited supervision. The organization responsible for regulating and supervising credit unions, the National Institute of Cooperatives, lacks the capacity to enforce compliance. Exchange houses are another non-bank sector where enforcement of compliance requirements remains limited, though following the implementation of additional supervisory measures two currency exchange houses were closed in 2011.

People entering or leaving the country must declare to customs values exceeding \$10,000 or its equivalent in other currencies. However, required customs declaration reports are seldom checked. Customs operations at the airports or overland entry points provide little control of cross-border cash movements.

Although Paraguay has made overall progress to improve its AML/CFT regime, and Paraguay's efforts and political commitment have been reflected in the issuance of proper legislation, the authorities' broader coordination capacity and the strengthening of their institutional frameworks need work. Paraguayan authorities will have to demonstrate the effectiveness of the legislation in force and of several mechanisms put in place.

Philippines

The Republic of the Philippines is not a regional financial center. The Philippines continues to experience an increase in foreign organized criminal activity from China, Hong Kong, and Taiwan. Insurgency groups operating in the Philippines partially fund their activities through local crime, kidnapping for ransom and the trafficking of narcotics and arms, and engage in money laundering through ties to organized crime. The proceeds of corruption are also a source of laundered funds. Smuggling, including bulk cash smuggling, continues to be a major problem. The Philippines has a large expatriate community, and remittances are also channels for money laundering. There are free trade zones and four offshore banking units (OBUs). The Central Bank exercises regulatory supervision over OBUs and requires them to meet reporting provisions and other banking rules and regulations.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Legal persons covered: criminally: YES ***civilly:*** YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO
KYC covered entities: Banks, non-bank institutions acting as quasi banks, and trust entities; insurance companies and pre-need companies; securities dealers, brokers/sales representatives, investment houses, mutual funds, and other entities managing securities as agent/consultant; foreign exchange dealers, money changers, remittance/transfer agents; pawnshops and entities dealing in valuable objects, currency, financial derivatives, cash substitutes, and similar monetary instruments

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 38,478 as of August 31, 2011
Number of CTRs received and time frame: 253,583,611 as of August 31, 2011
STR covered entities: Banks, non-bank institutions acting as quasi banks, trust entities; insurance companies and pre-need companies; securities dealers, brokers/sales representatives, investment houses, mutual funds, and other entities managing securities as agent/consultant; foreign exchange dealers, money changers, remittance/transfer agents; entities dealing in valuable objects, currency, financial derivatives, cash substitutes, and similar monetary instruments

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 50 as of August 31, 2011
Convictions: One as of August 31, 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

The Philippines is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.apgml.org/documents/docs/17/The%20Philippines%20DAR%20-%20Final%20%20210809.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Investigations by the financial intelligence unit (FIU) continue to be constrained by limited authority to access bank information. Except in instances of serious offenses such as kidnapping for ransom, drugs and terrorism-related activities, the FIU is required to secure a court order to examine bank deposit accounts related to unlawful activities enumerated in the Anti-Money Laundering Act. In addition, a Supreme Court ruling prevents ex parte inquiry into bank accounts. The FIU can, however, seek an ex parte freeze order from the Court of Appeals before seeking authorization to inquire into bank deposits. The FIU also must obtain a court order to freeze assets, including those of terrorists and terrorist organizations placed on the UN 1267 Sanctions Committee's consolidated list and the lists of foreign governments. This requirement is inconsistent with the international standard, which calls for the preventative freezing of terrorist assets "without delay" from the time of designation. The Government of the Philippines (GOP) should enhance the FIU's access to financial records, and ensure it can rapidly freeze terrorist assets. The Philippines has a Customs Mutual Assistance Agreement with US Customs.

Terrorist financing is not a stand-alone offense under Philippine law and therefore not a predicate crime under the Anti-Money Laundering Act. A person who finances the commission of terrorism may be prosecuted as a terrorist either as a principal by inducement pursuant to Article 17 of the Revised Penal Code or as an accomplice pursuant to Section 5 of the Human Security Act. However, this approach requires a terrorist act to have occurred and does not encompass general financial support to terrorist entities for other purposes (recruiting, training, social welfare projects, etc.). Limited human and financial resources also constrain tighter monitoring and enforcement. The GOP should criminalize terrorist financing as a stand-alone offense.

The Philippines has developed an action plan to address its strategic anti-money laundering/counter-terrorist financing (AML/CFT) deficiencies. The strategic deficiencies that The Philippines has committed to address include adequately criminalizing money laundering and terrorist financing; implementing adequate procedures to identify and freeze terrorist assets; enhancing financial transparency; and extending suspicious activity reporting requirements to additional entities. Legislation pending in the Philippine Congress would address cited deficiencies. The Philippine Government committed to pass this legislation that would address the deficiencies with respect to terrorist financing, freezing of terrorist assets and bank secrecy by December 2011.

Russia

The current Russian administration aspires to establish Moscow as one of the key international financial centers. However, despite significant progress in improving the legal and enforcement framework, the prevalence of money laundering (ML) in Russia, where there is a high level of organized crime and corruption, stands out as one of the major obstacles to this goal. Domestic sources of laundered funds include organized crime, evasion of tax and customs duties, fraud, public corruption, and smuggling operations. Criminal elements from Russia and neighboring countries continue to use Russia's financial system and foreign legal entities to launder money. Criminals invest and launder their proceeds in securities instruments, real estate, and luxury consumer goods. Despite making progress in combating financial crimes, Russia remains vulnerable to such activities. Russia's risk factors include the many large-scale financial transactions associated with its vast natural resources; the state's major role in the economy; the country's porous borders and its role as a geographic gateway between Europe and Asia; and chronic under-funding and lack of capacity of regulatory and law enforcement agencies. These factors help create an environment in which corruption and financial crimes flourish.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes

Legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks and credit institutions; Russian Post; payment acceptance and money transfer services; securities, insurance and leasing companies; investment and non-state pension funds; casinos and gambling outlets; dealers in precious metals and stones; real estate agents; pawnshops, microfinance organizations, and consumer credit cooperatives; and persons providing legal or accounting services

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 2,508,718 in the first half of 2011

Number of CTRs received and time frame: 1,242,459 in the first half of 2011

STR covered entities: Banks and credit institutions; securities markets, investment and pension funds; Russian Post; insurance sector; leasing companies; dealers in precious metals and stones; casinos; real estate agents; lawyers, notaries, and persons providing legal or accounting services; microfinance organizations; and consumer credit cooperatives

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 141 in the first half of 2011

Convictions: 113 in the first half of 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES Other mechanism: YES

With other governments/jurisdictions: YES

Russia is a member of the Financial Action Task Force (FATF) and two FATF-style regional bodies: the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), and the Eurasian Group on Combating Money Laundering and the Financing of Terrorism (EAG). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/dataoecd/31/6/41415981.pdf?bcsi_scan_E6B5D3DA0AAC65B7=0&bcsi_scan_filename=41415981.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Through aggressive enactment and implementation of comprehensive anti-money laundering (AML) legislation, Russia has established a legal and enforcement framework to deal with money laundering and terrorist financing. In 2010, Russia adopted amendments to expand AML coverage to subsidiary branches, representative offices, and affiliates of financial institutions located outside the Russian Federation; make microfinance and short-term loans, which have grown significantly in Russia, subject to AML laws; and clarify definitions critical to enforcement. Amendments to the Code of Administrative Infringements improve regulatory oversight related to AML legislation and broaden the authority of Rosfinmonitoring, Russia's financial intelligence unit (FIU), and the Central Bank of Russia to conduct investigations of ML violations. AML law now makes it clear that identification is defined as the entirety of measures whereby the information about clients, their representatives and beneficiaries is established and the reliability of such information is confirmed. Order 59, issued by Rosfinmonitoring on February 17, 2011, requires customer due diligence where there are doubts about the veracity of previous identification.

While the Russian Federation has made steady progress overall in its AML/CFT implementation, some important issues remain. Russia needs to make sure that obligated entities are able to report every type of suspicious activity related to money laundering. Though the overall STR regime is working well in practice, presently there is no legal basis for reporting attempted occasional transactions. Furthermore, implementing regulations have not been issued for critical components of the 2010 amendments, such as monitoring of affiliates' operations outside the Russian Federation. For years Russian banks did not properly understand the concept of beneficial owner, partly due to a lack of clarity in the law. While the term has now been better defined, private sector entities are still incorporating clarified definitions of beneficial owner into their AML practices.

While most international standards are applied in Russian legislation, several important discrepancies remain between the standards of international and local domestic banks. Some identification requirements are absent. Also, Russian AML law lacks more specific requirements pertaining to sanctions screening (like frequency of updates, screening of fields of transactions, transliterations, requirement for certain logic, etc). In addition, banks still are not able to refuse to carry out a transaction or to open an account when they have strong AML concerns regarding the transaction or prospective clients. Further attempts should be made to bring the AML efforts of all Russian banks to a more sophisticated level, including continued enhancement of the compliance training and certification process.

Current Russian law does not include insider trading as a predicate offense to money laundering. To address this deficiency, Law 224-FZ was adopted by the Russian Parliament in July 2010. Included in this law is an amendment to the Criminal Code to criminalize the deliberate use of insider information when carrying out transactions and giving recommendations to third persons; however, this provision will not take effect until 2014.

Russia also has made some recent progress regarding new technologies and non-face-to-face financial transactions. On June 27, 2011, Federal Laws No. 161-FZ and No. 162-FZ “On the National Payment System” and its amendments were adopted, which among other issues address the regulation of new technologies used by financial institutions. Transactions under 15,000 rubles (approximately \$500) are not subject to client identification requirements. Thus non-bank payment service providers can act as payment agents or bank payment agents and are exempt from AML/CFT identification requirements provided the payment amount is 15,000 rubles (approximately \$500) or less. In other words, money can be remitted under this amount without opening a bank account, and non-face-to-face electronic payment facilities are permitted, provided the monthly sum total of remittances does not exceed 40,000 rubles (approximately \$1,650). According to Rosfinmonitoring Order No. 103, which applies only to non-credit institutions, such client transactions executed remotely by payment service providers, as well as the issuance of orders to execute transactions requiring no personal contact with an institution, constitute a basis for submitting an STR to the FIU.

Although Russia continues to establish and develop anti-corruption measures, corruption continues to be a problem. The Government of Russia should continue to aggressively pursue corruption; similarly, it should continue to pursue increased transparency in the financial sector and ensure that domestic PEPs are monitored with the same scrutiny as foreign PEPs.

Russia hosts and funds the Secretariat of the EAG, and through this effort has contributed to improving the region’s AML/CFT capacity. Russia should continue to play a leadership role through sustained involvement in regional and international bodies focusing on AML regime implementation.

Singapore

Singapore is a major international financial and investment center as well as a major offshore financial center. Secrecy protections, a lack of routine large currency reporting requirements, and the size and growth of Singapore’s private banking and assets management sector pose significant money laundering (ML) risks and make the jurisdiction a potentially attractive money laundering/terrorist financing destination for drug traffickers, transnational criminals, foreign corrupt officials, terrorist organizations and their supporters. Authorities have taken action against Jemaah Islamiyah and its members and have identified and frozen terrorist assets held in Singapore. Terrorist financing in general remains a risk.

As of December 5, 2011, there were 39 offshore banks in operation, all foreign-owned. Singapore is a center for offshore private banking and asset management. Assets under management in Singapore total approximately S\$1.4 trillion (approximately \$1.09 trillion). As of June 2010, Singapore had at least \$300 billion in foreign funds under management. Singapore does not permit shell banks or anonymous accounts.

Singapore has nine free trade zones (FTZs), six for seaborne cargo and three for airfreight, regulated under the Free Trade Zone Act. The FTZs may be used for storage, repackaging of import and export cargo, assembly and other manufacturing activities approved by the Director General of Customs in conjunction with the Ministry of Finance.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

KYC covered entities: Banks, financial institutions, finance companies, merchant banks, life insurers, brokers, securities dealers, investment advisors, futures brokers and advisors, trust companies, approved trustees, and money changers and remitters

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 11,934 in 2010

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, auditors, financial advisors, capital market service licensees and exempt persons, finance companies, lawyers, notaries, merchant banks, life insurers, trust companies, approved trustees, real estate agents and money changers and remitters

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 14 in 2010

Convictions: 18 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Singapore is a member of the Financial Action Task Force (FATF) and the Asia/Pacific Group on Money Laundering, a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/36/42/40453164.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Singapore has a comprehensive suspicious transaction reporting regime and applies AML/CFT requirements to a broad range of financial institutions. Currently, there is no requirement for reporting large transactions, which limits the ability to track significant financial movements. Singapore should consider the adoption of such reporting.

Singapore's legal system generally provides for the investigation and prosecution of money laundering offenses. However, the implementation of these laws is uneven, particularly in prosecuting money laundering as a stand-alone offense, and investigating foreign-sourced cases. Singaporean police are fairly successful at identifying domestic predicate offenses, and include ancillary money laundering charges as appropriate. Singapore should more aggressively pursue domestic stand-alone money laundering offenses as well.

Singapore's large, stable, and sophisticated financial center may be attractive as a conduit for laundering proceeds generated by foreign criminal activities, including official corruption. The Suspicious Transaction Reporting Office (STRO) and criminal investigators are encouraged to identify money laundering that originates from foreign predicate offenses, and use stand-alone money laundering charges to prosecute third-party offenders in Singapore.

Somalia

Somalia has essentially been without a functioning central government since 1991 and continues to be viewed as the world's quintessential failed state. The Transitional Federal Government (TFG) now largely controls almost all of the country's capital as well as pockets of some regions. Many ministries exist in name only or have non-functioning, mostly unpaid staff. Due to its lack of a public regulatory system and its inaccessibility, little is known about money laundering in Somalia. No anti-money laundering/counter-terrorist financing (AML/CFT) laws exist. There is some evidence that piracy proceeds from Somalia make their way to Dubai and Nairobi. Piracy ransoms, much of which reportedly remains as cash, are delivered through cash drops to pirates off Somalia's coast. Anecdotal reports indicate ransom payments finance real estate, luxury goods and businesses.

Public corruption is rampant and significantly facilitates money laundering. For example, some government officials in Somalia's northern region of Puntland are reportedly benefiting from pirate ransoms. They may facilitate ransom laundering or the transfer of ransom money to neighboring countries or globally.

The financial system in Somalia operates almost completely outside of government oversight, either on the black market or via money/value transfer services (MVTs), particularly hawalas. Smuggling is rampant. Somalia has one of the longest land borders as well as the longest coastline in Africa. The TFG and local officials are unable to maintain control over these points of entry, and goods flow in and out of Somalia unchecked.

Somalia is also a center for terrorist financing. Al-Shabaab, a U.S.-designated international terrorist organization, maintains headquarters in the country. Its insurgency against the TFG is financed externally, including by the global Somali diaspora and business community. Some funds enter as cash, but a significant portion reportedly passes through hawalas and other MVTs. There are also occasional reports of U.S. dollar counterfeiting in al-Shabaab-controlled areas as well as reports of al-Shabaab extorting ransom payments from pirates. Al-Shabaab operations are also financed through extortion schemes targeting private citizens, local businesses, seaports under the group's control, and diversion of development and humanitarian assistance funds.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: Not criminalized
Legal persons covered: *criminally:* Not applicable *civilly:* Not applicable

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* NO *Domestic:* NO
KYC covered entities: Not applicable

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: Not applicable
Number of CTRs received and time frame: Not applicable
STR covered entities: Not applicable

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None
Convictions: None

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* NO *Other mechanism:* NO
With other governments/jurisdictions: NO

Somalia is not a member of any Financial Action Task Force (FATF)-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The legal system in Somalia is composed of traditional courts ("xeer"), a variety of local and regional court systems as well as a system with both civilian and military courts under the TFG. There are no AML/CFT laws, and the financial regulations that do exist are unenforceable given the lack of policing and investigative capacity and Somalia's insecurity.

Somalia essentially lacks a formal financial sector, and there are no functioning government regulatory agencies. Consequently, formal financial institutions and the MVTS sector in Somalia are not subject to KYC programs under Somali law. There are virtually no financial record keeping requirements enforced by the Somali government, nor are there suspicious transaction or large currency transaction reporting requirements. International standards, to the extent they exist, are self-imposed in Somalia by hawalas and other financial entities that must meet international rules and regulations to do business elsewhere in the world.

The Ministry of Finance and Treasury lacks the capacity, including financial, technical and human resources, to investigate money laundering and terrorist financing. There were no arrests for money laundering in 2011. In one 2010 case, a suspected terrorist financier bringing bulk

cash into Somalia was interdicted; in another, incoming counterfeit U.S. dollars were seized at Mogadishu International Airport. It is not clear what happened to the perpetrators; either indefinite detentions or quick releases are endemic, given Somalia's inadequate judicial system.

Somalia has no laws requiring forfeiture of criminal proceeds or terrorist funds. No government entities are charged with, or capable of tracking, seizing, or freezing illegal assets. Somali businesses do not coordinate with the government with regard to illegal transactions. The TFG has called on regional governments to help stem the flow of terrorist financing, including requesting local governments to trace, freeze, and seize funds and finances related to and in support of al-Shabaab.

Somalia does not have any mechanisms in place under which to share information related to financial crimes, money laundering, and terrorist financing with the U.S. or with other developed countries. The lack of AML/CFT laws, regulatory bodies, and enforcement mechanisms to counter money laundering and financial crimes is due to a lack of capacity within the TFG, and not the lack of political will. Obstacles to enacting and implementing AML/CFT laws include the TFG's limited territorial control, threats to the government by the al-Shabaab insurgency, lack of capacity at all levels of government, and insufficient policing and investigative capacity.

Spain

Spain is a major European center of money laundering activities as well as an important gateway for illicit narcotics entering Europe, although the serious focus of Spanish law enforcement on combating organized crime, drug trafficking, and money laundering during the past five years has reduced the country's attractiveness as an entry point. Drug proceeds from other regions enter Spain as well, particularly proceeds from hashish from Morocco and cocaine from Latin America. Passengers traveling from Spain to Latin America reportedly smuggle sizeable sums of bulk cash. Informal money transfer services facilitate cash transfers between Latin America, particularly Colombia, and Spain. Spanish security forces reportedly discovered at least 119 organized crime groups (including Russian, Eurasian, Chinese, and Italian groups) operating in the country that were engaging in money laundering during 2010. Of the 175 police investigations against money laundering in 2010, 58% were linked to drug trafficking, particularly of cocaine, heroin, and hashish; 17% involved political corruption; while 12% were related to value added tax fraud, mainly involving vehicle trafficking. Tax evasion in internal markets also continues to be a source of illicit funds in Spain.

An unknown percentage of drug trafficking proceeds are invested in Spanish real estate, particularly in the once-booming coastal areas in the south and east of the country, though less so since the speculative real estate bubble burst in 2008. Criminal groups also place money in other sectors, including services, communications, automobiles, art work, and the financial sector.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT

AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES**CRIMINALIZATION OF MONEY LAUNDERING:**

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES *Domestic:* YES

KYC covered entities: Banks; mutual savings associations; credit companies; insurance companies; financial advisers; brokerage and securities firms; pension fund managers; collective investment schemes; postal services; currency exchange outlets; individuals and unofficial financial institutions exchanging or transmitting money; realty agents; dealers in precious metals, stones, antiques and art; legal advisors and lawyers; accountants; auditors; notaries; and casinos

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 3,172 in 2010

Number of CTRs received and time frame: 707,968 in 2010

STR covered entities: Banks, professional money changers, credit intermediaries, payment systems and managers, and lending firms; life insurance entities and insurance companies that provide investment services; securities and investment service companies, collective investment, pension fund, and risk capital managers; mutual guarantee companies; postal wire services; real estate brokers, agents and developers; auditors, accountants, and tax advisors; notaries and registrars of commercial and personal property; lawyers, attorneys, or other independent professionals when acting on behalf of clients in financial or real estate transactions; company formation and business agents; trustees; casinos, gaming and lottery enterprises; dealers of jewelry, precious stones and metals, art, and antiques; safekeeping or guaranty services; and foundations and associations

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO *Other mechanism:* YES

With other governments/jurisdictions: YES

Spain is a member of the Financial Action Task Force (FATF) and a cooperating and supporting nation to the Caribbean Financial Action Task Force, a FATF-style regional body. Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/59/15/46253063.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Spain has long been dedicated to fighting terrorist organizations, including ETA, GRAPO, and more recently, al-Qaida. Spanish law enforcement entities have identified several methods of terrorist financing: donations to finance nonprofit organizations (including ETA and Islamic groups); establishment of publishing companies that print and distribute books or periodicals for

the purposes of propaganda, which then serve as a means for depositing funds obtained through kidnapping or extortion; fraudulent tax and financial assistance collections; the establishment of “cultural associations” used to facilitate the opening of accounts and provide a cover for terrorist financing activity; and alternative remittance system transfers.

Spanish authorities recognize the presence of alternative remittance systems. Informal non-bank outlets such as “*locutorios*” (communication centers that often offer wire transfer services) are used to move money in and out of Spain by making small international transfers for members of the immigrant community. Spanish regulators also note the presence of hawala networks in the Islamic community.

Spanish law does not allow civil forfeiture. The Finance Ministry, as the sanctioning organ, opened 580 investigations in 2010 for cash movements. Forty million euros (approximately \$52.7 million) were initially confiscated; 20 million euros (approximately \$26.3 million) were ultimately retained as fines. During the first half of 2011, 250 cases were opened and over 10 million euros (approximately \$13.2 million) were confiscated. Carrying more than 100,000 euros (approximately \$131,700) in cash within the country is not allowed. If the authorities discover an amount larger than that, they can seize and hold it until proof of legal origin is provided. According to press reports, the police and civil guard opened 175 investigations in 2010.

On April 29, 2010, Spain enacted Law 10/2010, on preventing money laundering and terrorist financing. The law introduces a risk-based approach to preventing money laundering and terrorist financing and imposes stringent requirements on financial institutions as well as designated non-financial businesses and professionals. Additionally, the law greatly enhances authorities’ capacity to combat terrorist financing by placing greater requirements on financial institutions and other businesses, and by strengthening penalties and monitoring and oversight. The new law entered into force immediately; however, implementing regulations will not be approved until 2012; until then, many of its provisions are not being implemented. The Spanish government is waiting for the approval of the new FATF Recommendations to develop the implementing regulations in conformity with international standards. In the interim, the implementing regulations for Law 19/1993, updated in 2005, remain in force.

In 2010, the Financial Crimes Enforcement Network (FinCEN), the financial intelligence unit of the U.S., suspended information sharing with its Spanish counterpart, the Executive Service for the Prevention of Money Laundering (SEPBLAC) due to an apparent unauthorized disclosure of FinCEN information by SEPBLAC. SEPBLAC has addressed the improper disclosure issues and has taken steps to ensure the protection of FinCEN’s information, including negotiating an updated version of a memorandum of understanding (MOU) with FinCEN. FinCEN will resume information exchange with SEPBLAC after signing the MOU. The security forces and the judiciary exchange information with the U.S. related to money laundering.

A working group has been created within the Commission for the Prevention of Money Laundering to promote the collection of statistics. Currently this information is not centrally collected. Spain should maintain and disseminate statistics on investigations and prosecutions.

St. Maarten

In late 2010, Sint Maarten (St. Maarten) became an autonomous entity within the Kingdom of the Netherlands (KON). St. Maarten enjoys autonomy on most internal matters and defers to the Kingdom of the Netherlands in matters of defense, foreign policy, final judicial review, human rights, and good governance.

The combating of drug trafficking is an ongoing concern for St. Maarten. Money laundering is primarily related to proceeds from illegal narcotics. Bulk cash smuggling and trade based money laundering may be a problem due to the close proximity of other Caribbean islands and the French part of the island, Saint Martin, which is a free trade zone.

The scale of the offshore banking and business sector is unknown. There are several casinos on the island and online gambling is legal.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Not available

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 5095 – January - October 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, law offices, insurance companies, casinos, Customs, money remitters, Central Bank, trust companies, accountants, car dealers, administrative offices, Tax Office, jewelers, credit unions, real estate businesses, notaries, exchange offices (Change point), effects agents

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES *Other mechanism:* YES

With other governments/jurisdictions: YES

St. Maarten is a member of the Caribbean Financial Action Task Force, a Financial Action Task Force (FATF)-style regional body. No evaluations have taken place since it became an autonomous entity.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Until a mutual evaluation is completed, it is difficult to evaluate the effectiveness of St. Maarten's anti-money laundering/counter-terrorist financing regime.

Under the former Netherlands Antilles jurisdiction, most governmental organizations were based in Curacao. Following the dissolution of the Netherlands Antilles, Sint Maarten created its own FIU under the Ministry of Justice. The FIU has begun to seek out international partners who would be willing to sign memoranda of understanding for information exchange and is pursuing membership in the Egmont Group of FIUs. St. Maarten is in the process of establishing new organizations such as a Central Bank, Tax Office Criminal Investigation Unit, and Financial Investigation Department. The St. Maarten government has begun the process of setting up these institutions.

The previous Government of the Netherlands Antilles demonstrated a commitment to combating money laundering. The new St. Maarten Government should ensure it follows up on that commitment. It therefore should see to the continuous enforcement of regulations and supervision of the off-shore sector and casinos, as well as pursuing money laundering investigations and prosecutions. The Government should work to improve the local police force (e.g., including financial specialists), the Intelligence Service and the FIU to provide them the capacity to investigate and successfully prosecute money laundering and terrorist financing cases.

The Mutual Legal Assistance Treaty between the KONA and the U.S. applies to St. Maarten.

St. Maarten is part of the Kingdom of the Netherlands and cannot sign or ratify international conventions in its own right. Rather, the Netherlands may arrange for the ratification of any convention to be extended to St. Maarten. The 1988 Drug Convention was extended to St. Maarten in 1999. The International Convention for the Suppression of the Financing of Terrorism was extended to the Netherlands Antilles, and as successor, to St. Maarten in 2010. The UN Convention against Transnational Organized Crime and the UN Convention against Corruption have not yet been extended to St. Maarten.

Switzerland

Switzerland is a major international financial center. Reporting indicates that criminals attempt to launder illegal proceeds in Switzerland from a wide range of criminal activities conducted worldwide. These illegal activities include, but are not limited to, financial crimes, narcotics trafficking, arms trafficking, organized crime, terrorist financing and corruption. Although both Swiss and foreign individuals or entities launder money in Switzerland, foreign narcotics trafficking organizations, often based in Russia, the Balkans, Eastern Europe, South America and West Africa, dominate the narcotics-related money laundering operations in Switzerland.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: *criminally:* YES *civilly:* YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: *Foreign:* YES *Domestic:* YES

KYC covered entities: Banks; securities and insurance brokers; money exchangers or remitters; financial management firms; investment companies; insurance companies; casinos; and individuals acting as intermediaries in bank lending, money transactions, or trading of currencies, or providing wealth management and investment advice services

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 1,159 in 2010

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks; securities and insurance brokers; money exchangers or remitters; financial management firms; casinos; and individuals acting as intermediaries in bank lending, money transactions, trading of currencies or providing wealth management and investment advice services

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 360 in 2010

Convictions: 219 in 2010

RECORDS EXCHANGE MECHANISM:

With U.S.: *MLAT:* YES *Other mechanism:* YES

With other governments/jurisdictions: YES

Switzerland is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/53/52/43959966.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Because there are no laws for declaration of currency and monetary instruments, Swiss authorities cannot effectively conduct bulk cash investigations.

The number of suspicious activity reports increased by 29% from 2009 to 2010, to 1,159 reports encompassing a total of CHF 850 million (approximately \$962 million), compared to CHF 2.2 billion (approximately \$2.3 billion) in 2009. In 2010, 13 reports were related to terrorism finance, amounting to CHF 23 million (approximately \$26 million).

The country’s central geographic location, relative political, social, and monetary stability, the range and sophistication of financial services it provides, and its long tradition of bank secrecy not only contribute to Switzerland’s success as a major international financial center, but also continue to expose Switzerland to potential money laundering abuse. This potential is exacerbated by the current lack of adequate regulation of some potential means of facilitating money laundering, such as real estate, jewelry, luxury cars, works of art, and commodities like oil and gas.

Taiwan

Taiwan is a regional financial center. Its modern financial sector, strategic location on international shipping lanes, expertise in high-tech sectors, and role as an international trade hub make it vulnerable to transnational crimes, including money laundering, drug trafficking, telecom fraud, and trade fraud. Though illegal in Taiwan, a significant volume of informal financial activity takes place through unregulated non-bank channels. Taiwan has five free trade zones and a growing offshore banking sector. There is no significant black market for smuggled goods in Taiwan.

Domestic money laundering is generally related to tax evasion, drug trafficking, public corruption, and a range of economic crimes. Jewelry stores increasingly are being used as a type of underground remittance system. Jewelers convert illicit proceeds into precious metals, stones, and foreign currency, and generally move them using cross-border couriers. The tradition of secrecy in the precious metals and stones trade makes it difficult for law enforcement to detect and deter money laundering in this sector, even though dealers in precious metals and stones are required to implement know-your-customer rules.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: banks, credit co-operative associations, credit departments of Farmers' Associations and Fishermen's Association, Department of Savings & Remittances of Chunghwa Post Co., securities firms, life insurance companies, and dealers in precious metals and stones

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 5,379 from January to September 2011
Number of CTRs received and time frame: 65,054 from January to September 2011
STR covered entities: Banks, credit co-operative associations, credit departments of Farmers' Association and Fishermen's Association, Department of Savings & Remittances of Chunghwa Post. Co., securities firms, life insurance companies, jewelry stores, and members of the National Real Estate Brokering Agencies Association

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 20 from January to September 2011
Convictions: Eight from January to September 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Taiwan is a member of the Asia/Pacific Group on Money Laundering (APG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: http://www.apgml.org/documents/docs/17/Chinese%20Taipei%20MER2_FINAL.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Taiwan continues to strengthen its AML/CFT regime, but is not in full compliance with international standards on combating terrorist financing. While Taiwan criminalized the financing of terrorist activities, it is not an autonomous offense and does not specifically cover the financing and support of terrorist activities overseas. Taiwan should pass legislation to criminalize terrorism and terrorist financing as an autonomous crime, and clarify that the law covers such activities overseas. The government should abolish all shell companies and prohibit the establishment of new shell companies of any type.

Taiwan's AML/CFT requirements do not apply to several types of designated non-financial businesses and professions (DNFBPs), which remain vulnerable to money laundering/terrorist financing activity. Taiwan should raise awareness of the vulnerabilities of non-profit organizations to terrorist financing, and should exert more authority over this sector. Taiwan should take steps to amend its legislation and regulations to bring all DNFBPs, as listed in the international standards, and the non-profit sector within the scope of its AML/CFT coverage. Given the increasing threat of alternative remittance centers such as the precious metals and stones sector, Taiwan's law enforcement should enhance investigations of underground financial systems.

In September 2011, Taiwan's Financial Supervisory Commission, the top financial regulator in Taiwan, directed Taiwan's financing institutions to begin implementing enhanced due diligence procedures for politically exposed persons, through an established databank for "high profile politician." Financial institutions are required to identify, record, and report the identities of high-profile customers engaging in significant or suspicious transactions.

In two decisions rendered in 2011, Taiwan's High Court upheld earlier convictions and reversed a lower court acquittal against former President Chen Shui-bian and members of his family for a range of corruption offenses including money laundering, forgery, embezzlement and bribery committed while he was in office. The Court fined him NT\$180 million (approximately \$5.9 million) and sentenced him to an additional 18 years in prison, in addition to his previous 17-year sentence for corruption.

Taiwan is unable to ratify UN conventions because of long-standing political issues. However, it has enacted domestic legislation to implement the standards in the 1988 UN Drug Convention, the UN Convention against Transnational Organized Crime, and the UN Convention for the Suppression of the Financing of Terrorism.

Thailand

Thailand is a centrally located, upper-middle-income Southeast Asian country with an extremely porous border. Thailand is vulnerable to money laundering within its own underground economy as well as to many categories of cross-border crime, including illicit narcotics and other contraband smuggling. The Thai black market includes a wide range of pirated and smuggled goods, from counterfeit medicines to luxury automobiles. Money launderers and traffickers use banks, as well as non-bank financial institutions and businesses, to move the profits of narcotics trafficking and other criminal enterprises. In the informal money-changing sector, there is an increasing presence of hawalas - a remittance system that uses relationship-based networks via money shops that service Middle Eastern travelers in Thailand. Thai banking regulations cover financial institutions adequately, but struggle to achieve effective oversight over less formal operations.

Thailand is a source, transit, and destination country for international migrant smuggling and trafficking in persons, a production and distribution center for counterfeit consumer goods and, increasingly, a center for the production and sale of fraudulent travel documents. Illegal gaming, corruption, underground lotteries, and prostitution are all problems. Thailand's criminal justice system has low capacity to deal with these challenges but is improving.

Thailand was publicly identified by the Financial Action Task Force (FATF) in February 2010 for its strategic anti-money laundering/counter-terrorist financing (AML/CFT) deficiencies, for which it has developed an action plan. Thailand's action plan includes adequately criminalizing terrorist financing and establishing and implementing adequate procedures to identify and freeze terrorist assets. In October 2011, the FATF determined that Thailand's progress against the agreed action plan's timeline has been insufficient and the Government of Thailand (GOT) needs to take adequate action to address its main deficiencies or risk further action from the FATF.

For additional information focusing on terrorism financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: List approach

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks (including state banks), finance companies, mortgage finance companies, securities dealers, insurance companies, money exchangers and remitters, asset management companies, jewelry and gold shops, automotive hire-purchase businesses or car dealers, real estate agents/brokers, antiques shops, personal loan businesses, electronic card businesses, credit card businesses, and electronic payment businesses, as well as deposit/lending cooperatives with total operating capital exceeding \$67,000

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 166,578 from October 1, 2010 to September 30, 2011

Number of CTRs received and time frame: 933,485 from October 1, 2010 to September 30, 2011

STR covered entities: Private and state-owned banks, finance companies, insurance companies, savings cooperatives, securities firms, asset management companies, and mortgage finance companies; land registration offices, moneychangers, remittance agents, jewelry and gold shops, automotive hire-purchase businesses and car dealerships, real estate agents and brokers, antique shops, personal loan companies, electronic and credit card companies, and electronic payment companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Two in 2011

Convictions: One in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdiction: YES

Thailand is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: <http://www.apgml.org/documents/docs/17/Thailand%20DAR.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Political and civil unrest in Thailand in mid-2010, followed by catastrophic flooding, the dissolution of Parliament and subsequent general election in July 2011, have impeded Thailand's implementation of its AML/CFT action plan. Despite high-level political commitment to address strategic AML/CFT deficiencies, Thailand's legislative framework still does not adequately criminalize terrorist financing and does not establish adequate procedures for identifying and freezing terrorist assets.

Despite these significant deficiencies, Thailand has made some progress in improving its FIU and its regulatory framework. The Anti-Money Laundering Office (AMLO) now has a full staff and is operational. The AMLO issued memoranda of understanding with two financial supervisors, the Office of Insurance Commission, signed April 26, and the Bank of Thailand, signed May 25. The memoranda establish the role of the AMLO in monitoring compliance with AML/CFT requirements, coordinating information sharing and ensuring that financial supervisors carry out their responsibilities effectively. Thailand has also made progress in the training and supervision of reporting entities, particularly money changers and transfer businesses. Ministerial regulations for cash threshold transactions and customer identification were endorsed and legalized via Cabinet resolution, and came into force in August.

Thai law does not adequately prohibit tipping off, leaving financial institutions and their employees subject to potential liability for filing STRs. The GOT should amend its legislation as necessary to ensure this deficiency is corrected.

On March 1, 2011, Thailand became a party to the UN Convention against Corruption. Thailand should become a party to the UN Convention against Transnational Organized Crime.

Turkey

Turkey is an important regional financial center, particularly for Central Asia and the Caucasus, as well as for the Middle East and Eastern Europe. It continues to be a major transit route for Southwest Asian opiates moving to Europe. However, narcotics trafficking is only one source of the funds laundered in Turkey. Other significant sources include invoice fraud and tax evasion, and to a lesser extent, smuggling, counterfeit goods, and forgery. Terrorist financing and terrorist organizations with suspected involvement in narcotics trafficking and other illicit activities are also present in Turkey. Money laundering takes place in banks, non-bank financial institutions, and the underground economy. Informed observers estimate as much as half of the economic activity is derived from unregistered businesses. Money laundering methods in Turkey include: the large-scale cross-border smuggling of currency; bank transfers into and out of the country; trade fraud; and the purchase of high-value items such as real estate, gold, and luxury automobiles. Turkish-based traffickers transfer money and sometimes gold via couriers, the underground banking system, and bank transfers to pay narcotics suppliers in Pakistan or Afghanistan. Funds are often transferred to accounts in the United Arab Emirates, Pakistan, and other Middle Eastern countries.

In June 2011, the Financial Action Task Force (FATF) added Turkey to its list of “Jurisdictions with strategic AML/CFT deficiencies that have not made sufficient progress in addressing the deficiencies.” As such, FATF called on its members to consider the risks arising from the deficiencies associated with Turkey’s anti-money laundering/counter-terrorist financing (AML/CFT) enforcement and implementation when conducting business within the country. Turkey was included in the FATF Public Statement for failure to adequately criminalize terrorist financing and implement an adequate legal framework to identify and freeze terrorist assets. The FATF action does not call for any countermeasures against Turkey as a result of its status.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

KYC covered entities: Banks, the Central Bank, post office banks, and money exchanges; issuers of payment and credit cards; lending, financial leasing, custody, settlement, and factoring companies; securities brokers, investment partnerships, and fund and asset managers; insurance, reinsurance and pension companies, and insurance and reinsurance brokers; Islamic financial houses; Directorate General of the Turkish Mint and precious

metals exchange intermediaries; auctioneers, and dealers of precious metals, stones, jewelry, all types of transportation vehicles, art and antiquities; lawyers, accountants, auditors, and notaries; sports clubs; lottery and betting operators; and post and cargo companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 6,500 from January - October 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, the Central Bank, post office banks, and money exchanges; issuers of payment and credit cards; lending, financial leasing, custody, settlement, and factoring companies; securities brokers, investment partnerships, and fund and asset managers; insurance, reinsurance and pension companies, and insurance and reinsurance brokers; Islamic financial houses; Directorate General of the Turkish Mint and precious metals exchange intermediaries; auctioneers, and dealers of precious metals, stones, jewelry, all types of transportation vehicles, art and antiquities; lawyers, accountants, auditors, and notaries; sports clubs; lottery and betting operators; and post and cargo companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 15 in 2009

Convictions: Three in 2009

MASAK no longer keeps statistics on prosecutions and convictions (2009 was the last year it maintained these statistics).

RECORDS EXCHANGE MECHANISM:

With U.S.: ***MLAT:*** YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Turkey is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: <http://www.fatf-gafi.org/dataoecd/14/7/38341173.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

MASAK, the Financial Crimes Investigation Board, Turkey's financial intelligence unit, receives, analyzes, and refers STRs for investigation. In 2010, 354 individuals were referred to the public prosecutor's office as a result of MASAK investigations into terrorism finance.

For the past year, a draft terrorism finance law has been under consideration by the Turkish Parliament and is scheduled to be discussed by the Parliament's Internal Affairs Commission in late November 2011. It is not, however, clear when or if the draft would reach the General Assembly. Concerns remain, that the draft does not sufficiently address the above enumerated deficiencies outlined by the FATF. Turkey should insure any new legislation meets the FATF standards.

The non-profit sector is vulnerable to terrorist financing. Turkey's investigative powers, law enforcement capability, and supervisory oversight are weak and lacking in all the necessary tools and expertise to effectively counter this threat through a comprehensive approach; all these areas need to be strengthened. The nonprofit sector is not audited on a regular basis for terrorist finance vulnerabilities and does not receive adequate AML/CFT outreach or guidance from the authorities. The General Director of Foundations issues licenses for charitable foundations and

oversees them. However, there are a limited number of auditors to cover more than 70,000 institutions.

Ukraine

In Ukraine, high risks of money laundering have been identified in foreign economic activities, credit and finance, the fuel and energy industry, and the metal and mineral resources market. Illicit proceeds are primarily generated through corruption; fictitious entrepreneurship and fraud; trafficking in drugs, arms or persons; organized crime; prostitution; and tax evasion. Various laundering methodologies are used, including the use of real estate, insurance, bulk cash smuggling, and financial institutions. There are a significant market for smuggled goods and a large informal financial sector in the country. These activities are linked to evasion of taxes and customs duties.

In October 2011, the Financial Action Task Force (FATF) removed Ukraine from its list of countries with “strategic deficiencies” following Ukraine’s enactment of amendments to its anti-money laundering/counter-terrorist financing (AML/CFT) legislation. Ukraine continues to work to further strengthen its AML/CFT regime.

For additional information focusing on terrorist financing, please refer to the Department of State’s Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO

KYC covered entities: Banks, non-banking institutions, insurance companies, gambling institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers and leasing providers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 778,907 January - September 2011

Number of CTRs received and time frame: Not available

Ukraine combines STRs and CTRs in its reporting.

STR covered entities: Banks, non-banking institutions, insurance companies, gambling institutions, credit unions, depositories, securities traders, registers, pawn shops, mail service operators and other operators conducting money transfers, real estate traders, certain traders of precious metals and stones, notaries, auditors, independent lawyers, and leasing providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 13 in the first half of 2011

Convictions: One in the first half of 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdiction: YES

Ukraine is a member of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), a FATF-style regional body. Its most recent mutual evaluation can be found here:

http://www.coe.int/t/dghl/monitoring/moneyval/Countries/Ukraine_en.asp

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

While it does not appear that significant narcotics proceeds are laundered through Ukraine's financial institutions, the rise of cybercrime and related transnational organized crime would suggest that significant amounts of U.S. currency are diverted to this region outside financial institutions.

In April 2011, Ukraine adopted amendments to its AML/CFT legislation, making insider trading and stock market manipulation predicate crimes for money laundering and improving the procedures for administrative seizure related to terrorist assets. There is no corporate criminal liability because the Law on Corporate Liability has not taken effect yet. Most importantly, while Ukraine's legislation has been significantly modernized, Ukraine lacks examples of successful prosecutions of money laundering. This is due to the lack of specialized expertise among prosecutors in handling complex financial cases and corruption within law enforcement and the courts. In order to correct these problems, Ukraine needs to reform its Prosecutor General's Office to allow for greater specialization of prosecutors and improved coordination among prosecutors, investigators, and the FIU. Additionally, although the current legislation provides for autonomous prosecution of money laundering, in practice a link is often sought between a specific predicate offense and money laundering. Ukrainian authorities are unable to break out prosecutions for autonomous money laundering, or cases where the money laundering offense is added to another predicate offense, as well as to differentiate between self- or third-party laundering.

Amendments to the AML law in 2010 require enhanced due diligence procedures for PEPs. However, the procedure of informing primary financial monitoring agencies about the list of PEPs of foreign countries is yet to be developed.

While Ukraine has the necessary treaties signed and ratified, in many instances they are not applied or applied poorly. This is particularly true in the area of international law enforcement cooperation, mutual legal assistance and asset forfeiture. Furthermore, while Ukraine is a party to UNCAC and UNTOC, the provisions of these conventions are not implemented or are not working properly in Ukraine.

United Arab Emirates

The United Arab Emirates (UAE) is the primary transportation and trading hub for the Persian Gulf States, East Africa, and South Asia. Its robust economic development, political stability, and liberal business environment have attracted a massive influx of people, goods, and capital which may leave the country vulnerable to money laundering activity. Dubai, especially, is a major international banking and trading center. The potential for money laundering is exacerbated by the large number of resident expatriates (roughly 80% – 85% of total population) who send remittances to their homelands.

A significant portion of the money laundering/terrorist financing (ML/TF) activity in the UAE is likely related primarily to proceeds from illegal narcotics produced in South West Asia. Narcotics traffickers from Afghanistan, where most of the world's opium is produced, are increasingly reported to be attracted to the UAE's financial and trade centers. Groups operating primarily outside the country almost certainly control the funds. Domestic public corruption contributes little to money laundering or terrorist financing.

Regional hawalas and associated trading companies in various expatriate communities, most notably the Somalis, have established clearinghouses, the vast majority of which are not registered with the UAE government. Likewise, the UAE's proximity to Somalia has generated anecdotal reports suggesting some influx and/or transit of funds derived from piracy. There is no significant black market for smuggled goods in the UAE, but contraband smuggling (alcohol) probably generates some funds that are laundered through the system. There are some indications that trade based money laundering occurs in the UAE and that such activity might support terrorist groups in Afghanistan, Pakistan and Somalia.

Other money laundering vulnerabilities in the UAE include exploitation of cash couriers, the real estate sector, and the misuse of the international gold and diamond trade. The country also has an extensive offshore financial center and 38 free trade zones (FTZs). There are over 5,000 multinational companies located in the FTZs, and thousands more individual trading companies. Companies located in the free trade zones are considered offshore or foreign entities for legal purposes. However, UAE law prohibits the establishment of shell companies and trusts.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES

KYC covered entities: Banks, hawalas, money exchange houses, finance companies, securities brokers, and insurance companies

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 479 in the first quarter of 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, hawalas, money exchange houses, finance companies, securities brokers, and insurance companies

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Not available

Convictions: Not available

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other mechanism:** YES

With other governments/jurisdictions: YES

The United Arab Emirates is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

<http://www.menafatf.org/images/UploadFiles/UAEoptimized.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Government of the UAE has shown some progress in enhancing its AML/CFT program; however, several areas requiring further action by the UAE Government (UAEG) remain. The UAEG should increase the capacity and resources it devotes to investigation of ML/TF both federally at the Anti-Money Laundering/Suspicious Cases Unit (AMLSCU) and at emirate-level law enforcement. AMLSCU needs to improve its timely financial information sharing capability to conform to international standards. The AMLSCU also needs additional resources to be able to execute its mandate of hawala supervision – currently it is not capable of supervising the vast number of hawalas in the country or enforcing hawala compliance.

Although UAE legislation includes a provision prohibiting tipping off, the provision is very narrow and does not appear to address the disclosure of STR filings to third parties. Additionally, the Central Bank regulations appear to require institutions to notify customers of suspicions regarding their accounts. This would appear to contradict any tipping off prohibitions.

Although firms operating in the Dubai International Financial Center (DIFC) are subject to the AML law, the Dubai Financial Services Authority (DFSA) has issued its own anti-money laundering regulations and supervisory regime, which has caused some ambiguity about the Central Bank's and the FIU's respective authorities within the DIFC.

In September 2011 the UAEG enacted an inbound and outbound cash declaration regulation covering financial instruments valued at more than DHS 100,000 (approximately \$27,000), an amount above the desired standard but consistent with the traditional cash-based economy. Law enforcement and customs officials should conduct more thorough inquiries into large declared

and undeclared cash imports into the country, as well as enforce outbound declarations of cash and gold utilizing existing smuggling laws.

Law enforcement and customs officials should proactively develop cases based on investigations, rather than wait for STR-based case referrals from the AMLSCU. All facets of trade-based money laundering should be given greater scrutiny by UAE customs and law enforcement officials, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the abuse of trade to launder narcotics proceeds. The UAEG should expand follow-up with financial institutions and the Ministry of Social Affairs regarding regulations on charities to ensure their registration at the federal level. The UAE should also continue its regional efforts to promote sound charitable oversight. The cooperation between the Central Bank and the DFSA needs improvement, with lines of authority clarified. Moreover, the absence of meaningful statistics across all sectors is a significant hindrance to the assessment of the effectiveness of the AML/CFT program.

United Kingdom

The United Kingdom (UK) plays a leading role in European and world finance and remains attractive to money launderers because of the size, sophistication, and reputation of its financial markets. Although narcotics are still a major source of illegal proceeds for money laundering, the proceeds of other offenses, such as financial fraud and the smuggling of people and goods, have become increasingly important. The past few years have seen an increase in the movement of cash via the non-bank financial system, as banks and mainstream financial institutions have tightened their controls and increased their vigilance. The use of *bureau de change*, cash smugglers (into and out of the UK), and traditional gatekeepers (including solicitors and accountants) to move and launder criminal proceeds has been increasing. Also on the rise are credit/debit card fraud, use of the internet for fraud, and the purchase of high-value assets to disguise illegally obtained money.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All crimes approach
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: NO
KYC covered entities: Banks, credit unions, building societies, money issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency

practitioners; estate agents; casinos; high value goods dealers; and trust or company service providers

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 240,582 October 1, 2009 – September 30, 2010

Number of CTRs received and time frame: Not applicable

STR covered entities: Banks, credit unions, building societies, emoney issuers, and credit institutions; insurance companies; securities and investment service providers and firms; independent legal professionals, auditors, accountants, tax advisors, and insolvency practitioners; estate agents; casinos; high value goods dealers; and trust or company service providers

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2,439 in 2009

Convictions: 1,411 in 2009

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** YES **Other mechanism:** YES

With other governments/jurisdictions: YES

The United Kingdom is a member of the Financial Action Task Force (FATF). Its most recent mutual evaluation can be found here: http://www.fatf-gafi.org/infobycountry/0,3380,en_32250379_32236963_1_70432_1_1_1,00.html

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The United Kingdom has a comprehensive range of anti-money laundering/countering the financing of terrorism (AML/CFT) laws. It is an active participant in multilateral efforts to meet AML/CFT threats. The UK engages in efforts to freeze the assets of persons who commit terrorist acts, and its legislative framework relies on “reasonable belief” rather than “reasonable suspicion” as the burden of proof for freezing assets. The UK continuously reviews and assesses the effectiveness and proportionality of its AML/CFT regime – including through the approval of updated and more accessible industry guidance. In order to improve the regime further, and based on the responses in a recent industry consultation, the UK plans to announce proposals to improve guidance and will publish these towards the end of the year.

The Financial Services Authority, which supervises firms for compliance with their legal and regulatory obligations, including those related to politically exposed persons (PEPs), will be merged with the Bank of England at the end of 2012. Also, the Serious Organized Crime Agency, which includes the UK financial intelligence unit, will transition to the National Crime Agency by 2013. It is important that these changes not impede the UK’s AML/CFT efforts.

Uruguay

Uruguay remains vulnerable to the threats of money laundering (ML) and terrorist financing (TF). Uruguay has a highly dollarized economy, with the U.S. dollar often used as a business currency; about 75% of deposits and 50% of credits are denominated in U.S. dollars. Officials

from the Uruguayan police and judiciary assess that there is a growing presence of Mexican and Colombian criminal organizations in the region and are concerned they could begin operating in Uruguay. Drug dealers are increasingly participating in other illicit activities like car theft and trafficking in persons.

The vast majority of money laundering cases that have become public have been related to drugs and/or involve the real estate sector. Uruguay has porous borders with Argentina and Brazil and, despite its small size, there is a market for smuggled goods that is greatly determined by price differentials between Uruguay and its neighbors. Regular trade-based money laundering is likely to occur but specialists do not identify it as a major source of risk, and there is no indication it is tied to terrorist financing. However, bulk cash smuggling is likely to occur. Public corruption does not seem to be a significant factor behind money laundering or terrorist financing. To the extent known, laundered criminal proceeds derive primarily from foreign activities related to drug-trafficking organizations.

Given the longstanding free mobility of capital in Uruguay, the informal financial sector is practically non-existent. Money is therefore likely to be laundered via the formal financial sector (onshore or offshore). The six offshore banks operating in Uruguay are subject to the same laws, regulations, and controls as local banks, with the Government of Uruguay (GOU) requiring they be licensed through a formal process that includes a background investigation of the principals. Offshore trusts are not allowed. Bearer shares may not be used in banks and institutions under the authority of the Central Bank, and any share transactions must be authorized by the Central Bank. There are 13 free trade zones (FTZs) located throughout the country. While most are dedicated solely to warehousing, two were created exclusively for the development of the paper and pulp industry, and three accommodate a wide variety of tenants offering a wide range of services, including financial services. Some of the warehouse-style FTZs have been used as transit points for containers of counterfeit goods bound for Brazil and Paraguay. A decree passed in November 2010 discourages shell companies from establishing a presence in FTZs.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: List approach
Legal persons covered: criminally: NO civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, currency exchange houses, stockbrokers, pension funds, insurance companies, casinos, art dealers, real estate and fiduciary companies, lawyers, accountants, and other non-banking professionals that carry out financial transactions or manage commercial companies on behalf of third parties

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 150 - January 1–November 4, 2011
Number of CTRs received and time frame: Not available

STR covered entities: Banks; currency exchange houses; stockbrokers and pension funds; insurance companies; businesses that perform safekeeping, courier or asset transfer services; professional trust managers; investment advisory services; casinos; real estate brokers and intermediaries; notaries; auctioneers; dealers in antiques, fine art and precious metals or stones; FTZ operators; and other persons who carry out transactions or administer corporations on behalf of third parties

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: Four in 2009

Convictions: Four in 2009

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES **Other mechanism:** YES

With other governments/jurisdictions: YES

Uruguay is a member of the Financial Action Task Force on Money Laundering in South America (GAFISUD), a Financial Action Task Force-style regional body. Its most recent mutual evaluation can be found here: <http://www.gafisud.info/pdf/InformeEMUruguay09.pdf>

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Uruguay continued making progress in 2011. The main development was the design of a new National Strategy against money laundering put together with the technical support of the IMF. The project, expected to be a major improvement from the previous 2007 strategy, was developed in two stages: identification of the most vulnerable areas (2010) and design of a strategy to address those (2011). The strategy will be implemented in 2012-2015.

The GOU is also strengthening its Anti-Money Laundering Secretariat (AMLS) that will grow in scope and staff. In addition to developing the new strategy, in 2011, the AMLS continued working with non-financial sector entities obliged to report suspicious transactions, mainly notaries, real estate agents and casinos. The AMLS has made substantial progress in the design of standardized forms with the local association of notaries. A group of large bureaus that administer corporations are also developing auto-regulatory standards. The AMLS also is very focused on financial investigations and seeks to create awareness about the importance of seizing assets as well as imprisoning criminals.

Another positive development is the signing of an MOU under which the Financial Intelligence Unit (UIAF) is granted immediate online access to the database of the tax administration authority (DGI). In turn, DGI is working to open an international division to work on AML cases that are reported from abroad.

Other UIAF-related developments in 2011 include the design of a set of early-warning indicators that will allow it to leverage its comprehensive database of currency transaction reports, and the upgrading of regulations for firms that wire funds in order to level the playing field vis-à-vis financial services firms (a structure that stemmed from some large exchange houses).

The Superintendency of Financial Services, which oversees the UIAF, is also in the process of redesigning and upgrading management requirements for financial companies. This process entails the extension to insurance and capital market institutions of strong management practices

already established for banks. In 2011, the Superintendency made significant progress with insurance companies and moderate progress with capital market institutions. The UIAF also emphasized onsite inspections of capital market institutions that previously received less attention than banking firms.

Prosecutions and convictions dropped in 2010 and 2011. In 2009 alone the GOU had frozen assets totaling \$17 million. In 2011, it did not freeze any funds except for one safe-deposit box.

The GOU should amend its legislation to provide for criminal liability for legal persons.

Venezuela

Venezuela is a major cocaine-transit country. The country's proximity to drug producing countries, weaknesses in its anti-money laundering regime, limited bilateral cooperation, and substantial corruption in law enforcement and other relevant sectors continue to make Venezuela vulnerable to money laundering. The main sources of money laundering are proceeds generated by drug trafficking organizations and illegal transactions that exploit Venezuela's currency controls and its various exchange rates. The current regime of price and foreign exchange controls has provided opportunities for corruption; and corruption continues to be a very serious problem in Venezuela.

Money laundering occurs through commercial banks, exchange houses, gambling sites, fraudulently invoiced foreign trade transactions, smuggling, real estate, agriculture and livestock businesses, securities transactions, and trade in precious metals. Venezuela's multiple exchange rates allow launderers to profit from arbitrage conditions while using the black market. Trade-based money laundering, such as the black market peso exchange, through which money launderers furnish narcotics-generated dollars in the United States to commercial smugglers, travel agents, investors, and others in exchange for Colombian pesos, remains a prominent method for laundering regional narcotics proceeds. It is reported that many black market traders ship their goods through Margarita Island's free port.

For additional information focusing on terrorist financing, please refer to the Department of State's Country Reports on Terrorism, which can be found here: <http://www.state.gov/j/ct/rls/crt/>

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: YES

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, leasing companies, money market and risk capital funds, savings and loans, foreign exchange operators, regulated financial groups, and credit card

operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; regulated securities entities; regulated insurance entities; casinos, bingo halls, and slot machine operators; and regulated notaries and public registration offices

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: 582 through June 30, 2011

Number of CTRs received and time frame: Not available

STR covered entities: Banks, leasing companies, money market funds, savings and loans, foreign exchange operators, regulated financial groups, and credit card operators; hotels and tourist institutions that provide foreign exchange; general warehouses or storage companies; regulated securities entities; regulated insurance entities; casinos, bingo halls, and slot machine operators; and regulated notaries and public registration offices

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 13 from July 2010 - January 2011

Convictions: Two cases, involving seven persons from July 2010 - January 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: YES ***Other mechanism:*** YES

With other governments/jurisdictions: YES

Venezuela is a member of the Caribbean Financial Action Task Force (CFATF), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here: [http://www.cfatf-gafig.org/downloadables/mer/Venezuela_3rd_Round_MER_\(Final\)_English.pdf](http://www.cfatf-gafig.org/downloadables/mer/Venezuela_3rd_Round_MER_(Final)_English.pdf)

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

The Financial Crimes Enforcement Network (FinCEN) suspended the exchange of information with Venezuela's National Financial Intelligence Unit (UNIF) in January 2007 due to the unauthorized disclosure of information provided by FinCEN, and the relationship has not resumed to date. In 2009 - 2011, there was no financial intelligence information exchange between Venezuela and the United States.

In 2010, the country was identified as having strategic anti-money laundering and counter-terrorist financing deficiencies and developed an action plan to address the following issues: criminalizing terrorist financing; establishing and implementing adequate procedures to identify and freeze terrorist assets; ensuring a fully operational and effectively functioning financial intelligence unit; implementing adequate customer due diligence guidelines for all sectors; and establishing adequate STR reporting obligations for money laundering and terrorist financing. The country has approved new regulations and improved the supervision of banks and securities intermediaries/brokers.

The judicial system has been ineffective and is politicized. During the year, legislation to strengthen supervision of insurance, securities, notaries and operators of casinos, bingo halls and slot machines was passed. Venezuela must increase its institutional infrastructure and technical capacity so it can effectively implement these new regulations. The government should adopt the amendments to incorporate anti-money laundering reforms into the organic law as recommended by international experts.

Zimbabwe

Zimbabwe is not a regional financial center, but it faces problems related to money laundering and official corruption. Regulation and enforcement in the financial sector is weak, mainly due to a lack of trained regulators and investigators and limited asset-seizure authority. These deficiencies expose the country to money-laundering abuses, but there are no data on the extent of money laundering in Zimbabwe. The exposure is greatest within the financial sector, which includes both formal and informal institutions. Commercial banks, building societies, moneylenders, insurance brokers, realtors, and lawyers in Zimbabwe are all vulnerable to exploitation by money launderers. Financial crime may also be magnified by opportunities to smuggle diamonds from alluvial deposits in the Marange area of eastern Zimbabwe.

Nearly all transactions in Zimbabwe are now carried out with either the U.S. dollar or the South African rand. The Government of Zimbabwe's (GOZ) switch to this "multi-currency regime" dramatically reduced opportunities for money laundering and financial crime arising from the multiple exchange rates and opaque foreign-exchange controls that were in place until 2009. Legislators from all parties in the coalition government have increased scrutiny of government activities, and ministers from former opposition parties have pushed for further reforms. For example, the parliamentary committee on mining has held officials to account for GOZ actions in the Marange diamond fields, and the minister of finance has implemented a new law to improve accountability at the Reserve Bank of Zimbabwe (RBZ).

The United States, Canada, Australia, and the European Union have imposed targeted financial sanctions and travel restrictions on political leaders and others believed to have been complicit in human rights abuses.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes

Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: NO Domestic: NO

KYC covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, bureaux de change, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

SUSPICIOUS TRANSACTION REPORTING (STR) REQUIREMENTS:

Number of STRs received and time frame: None in 2011

Number of CTRs received and time frame: Not applicable

STR covered entities: Commercial banks, acceptance houses, discount houses, money transfer agencies, *bureaux de change*, legal practitioners, accounting firms, pension funds, real estate agents, cash dealers, and finance houses

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: None in 2011

Convictions: None in 2011

RECORDS EXCHANGE MECHANISM:

With U.S.: **MLAT:** NO **Other Mechanism:** NO

With other governments/jurisdiction: YES

Zimbabwe is a member of the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), a Financial Action Task Force (FATF)-style regional body. Its most recent mutual evaluation can be found here:

http://www.esaamlg.org/userfiles/Zimbabwe_detailed_report.pdf

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Zimbabwe has developed an action plan to address its strategic AML/CFT deficiencies. Zimbabwe needs to adequately criminalize money laundering and terrorist financing; establish and implement adequate procedures to identify and freeze terrorist assets; ensure a fully operational and effectively functioning financial intelligence unit; and ensure financial institutions are aware of and comply with their obligations to file suspicious transaction reports.

Law enforcement and regulatory agencies lack the resources to combat money laundering vigorously. Anti-money laundering (AML) legislation is sometimes abused for political purposes. More broadly, corruption sometimes impedes application of Zimbabwe's AML mechanisms. Zimbabwe has criminalized money laundering and put in place mechanisms for freezing and forfeiting assets; however, deficiencies remain in being able to do so in a timely manner. The banking system can quickly freeze accounts, but financial institutions typically receive information related to designations from private sources and not government agencies. Zimbabwe has broad legislation on mutual legal assistance in both civil and criminal cases. In general, there are no legal or practical impediments to rendering assistance, providing both Zimbabwe and the requesting country criminalize the conduct underlying the offense.

The GOZ should become a party to the International Convention for the Suppression of the Financing of Terrorism.